

THE ECONOMIC JOURNAL

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THE JOURNAL OF
The Royal Economic Society

EDITED BY

F. Y. EDGEWORTH

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THE ECONOMIC JOURNAL

SEPTEMBER, 1908

THE AMERICAN CRISIS OF 1907.

THE economic revulsion in the United States is still too recent to allow an exact determination of its consequences, and for that reason, its underlying causes cannot be thoroughly analysed at the present time. The crisis and panic which appeared during an early stage of the reaction may be taken, however, as a sufficiently distinct problem for separate examination, which can be studied with a reasonable measure of completeness from the material already at hand. At the outset it will be of advantage to make a more definite distinction than has been customary between fluctuations in business activity and the crises and panics which have frequently accompanied the transition from prosperity to depression. During the eighteenth and the greater part of the last century it would be difficult to find an instance of a period of decided trade reaction which began without sudden and violent disturbance, but in some countries, notably in France and Great Britain, recessions in business activity during the last forty years have come about with a noteworthy diminution of strain, sudden collapse, and general destruction of credit, even the crisis of 1890 being, properly speaking, a crisis averted. In the United States, on the other hand, crises have been no less frequent, and there has been no alleviation in their sudden and disastrous consequences. Crises are commonly ascribed to unsound conditions which have developed during years of business activity, but this is more properly an explanation of fluctuations in trade, unless we assume that crises occur when conditions are extremely unsound, and that with only moderately unsatisfactory conditions depression may come without sudden disturbance. In accord with this view many writers have called attention to the highly speculative character of business in new

and rapidly advancing countries like the United States, and have considered it the fundamental cause of the frequency and severity of crises in that country.

It may, however, be questioned whether, in the study of crises, the central point of departure should be the analysis of general economic conditions. The banks are the storm centre in all crises, the chief symptoms of which are the destruction of confidence and sudden liquidation upon a large scale. As business is at present organised, the extent and, what is of vastly greater importance, the rapidity of liquidation is largely determined by the condition of the banks and by the policy which they are able to adopt. It may happen that general conditions have become so unsound that the banks, through the deterioration in the average quality of their assets, become little more than passive sufferers in the general catastrophe, and the American crisis of 1893 may perhaps be looked upon as of this nature. Confidence in the stability of the currency had been weakened by silver legislation. Agricultural prices had fallen to unremunerative levels owing to the increase in production consequent upon the rapid settlement of the public lands in the Western States, while farmers were heavily burdened with mortgage indebtedness. The railways had been extended beyond the requirements of existing traffic, and were burdened with bonded obligations and guarantees of dividends of smaller roads which had been absorbed often for speculative financial purposes. Finally the manufacturing industries of the country had been unhealthfully stimulated by an additional dose of protection in 1890, which led to ill-judged investments of capital and over-production in those industries which had been most favoured. It is therefore reasonably certain that the crisis of 1893 could not have been averted. But there are few crises which can be ascribed to an equal number of unfavourable influences, and, in any case, it is of primary importance to determine, from investigation of the banking features of a crisis, whether sudden liquidation and loss of confidence might not have been at least in part prevented.

The crisis of 1907 is particularly worthy of study in this connection, because there is reason to believe that it might have been confined within narrow limits, even if it could not have been entirely averted. Nothing in the general economic condition of the country has been disclosed, either during the crisis or in the subsequent months of depression, which can be regarded as so hopelessly unsound as to have rendered the explosion of

last autumn clearly unavoidable. The number of business failures was comparatively small, notwithstanding the strain to which the banking troubles subjected all branches of industry, nor were there many bank failures which may be accounted for by the impairment of loans from general causes. Some of the unfavourable influences potent in previous American crises were conspicuously absent, and this was most strikingly the case in agriculture. The preceding ten years of high agricultural prices had enabled farmers to free themselves from debt to an extent unknown since the beginning of settlement in the Mississippi valley. The harvests of the staple crops in 1907 were from 10 to 20 per cent. less than in the previous year, but as somewhat higher prices were being secured, the return to the cultivation promised to be greater than ever before. It is therefore not surprising that bank failures in purely agricultural sections of the country, numerous in former crises, were entirely absent during the recent disturbance. The railways were also in a satisfactory position compared with previous periods, and for some years had experienced great difficulty in handling their rapidly expanding traffic, though their facilities were being constantly increased. In the general commodity markets there was no pronounced accumulation of unsold goods, except in the case of ~~coffee~~^{copper}, the demand for which had fallen off on account of an attempt to hold the price at an exorbitant level. For other commodities the existing means of production were apparently not beyond the prevailing rate of consumption at current prices. Indeed, it would be difficult to find an equally long period of business activity at the close of which the relative development of different industries would seem to have been similarly satisfactory.

Turning now to indications of a less satisfactory nature, it should be observed that the more important disturbing factors were not peculiar to the United States. Everywhere the difficulty experienced in securing additional capital gave clear indication that the advance of the previous years, even if continued at all, was to be at a less rapid pace. New issues of the highest grades of bonds were being marketed with increasing difficulty and upon more burdensome terms to borrowers, while higher average discount rates in the money markets of the world reflected the growing strain upon floating capital. Extravagant consumption retarded accumulation, while the demand of industry and governments for capital was unabated. The inability to secure supplies of capital is not necessarily the cause of

serious disturbance. It may have serious effects, if it prevents the completion of work already under way, as in 1857, when the construction of many American railways suddenly stopped, because further capital could not be obtained. The recent inability to secure capital, however, has been almost entirely a check upon projected improvements, and has not made previous investments unproductive.¹ The floating indebtedness of many manufacturing and trading firms was also large, but there were so few suspensions or failures from that cause during the crisis that it cannot be said to have been more than a secondary influence.

During March and August, 1907, very general and considerable decline took place in the prices of stock exchange securities, which, whatever the causes, by checking speculation and reducing the collateral loans of the banks, diminished the strain upon credit, and placed the banks in a better position to meet later emergencies. Fundamental conditions would ultimately have brought about a fall in the value of securities, but it may be questioned whether it would have been so extreme on that amount alone prior to the crisis, since stock markets are notoriously blind to the significance of anything beyond those influences which cause temporary fluctuations. The activities of the national and State Governments having the object of controlling railway and other corporations was certainly an influence which was largely responsible for the successive declines in the value of securities. Whatever opinion may be held as to the wisdom with which this movement has been conducted, it cannot be doubted that, in so far as it tended to prevent speculation, the country was in a better position to withstand the crisis of last autumn. Contrasted with the previous year, the financial position was vastly more satisfactory. In 1906 a speculative movement in stocks, of large proportions, had been continued into the autumn months, and was only checked by the intervention of the Bank of England, which discountenanced the enormous advance by London banks which had made it possible. Had a crisis broken out in that year, assistance from Europe could not have been secured. Moreover, there was a striking absence of new issues on securities on account of railway amalgamations and industrial combinations, which in previous years underwriting syndicates were holding for sale by means of loans

¹ The large railway borrowings upon short term obligations during the two years before the crisis might have occasioned serious trouble if the crises had come somewhat later.

in Europe as well as in New York. For these reasons it is probable that the New York market was more independent of temporary foreign indebtedness at the beginning of last autumn than at the same time in any of the previous eight years. In financial circles the view has been expressed that the crisis was largely the result of Government interference with economic activities. The validity of this opinion can be more properly estimated after we have followed the course of the crisis, but it may be stated without qualification that in some important respects Government economic activity had indirectly tended to remove certain elements of weakness in the general situation.

The initial episode of the crisis on October 16th was, as has often happened in previous crises, insignificant enough. An unsuccessful attempt to corner the stock of a copper company of secondary importance involved the failure of certain brokerage firms, including that of the brother of Mr. F. A. Heinze, who at the beginning of the year had become president of the Mercantile National Bank upon securing a majority of its stock. Mr. Heinze had acquired a large fortune from highly speculative operations in Montana copper properties, and distrust of his methods led many depositors to withdraw their accounts from the bank after the change of management. The resources of the bank seem to have been used to an increasing extent in the furtherance of copper enterprises and speculation, and the failure of the copper corner brought matters to a head. The bank was unable to meet an unfavourable balance at the clearing house which assumed large proportions because alarmed depositors were shifting their accounts to other banks. The request for assistance from the clearing house was granted after an examination to determine the solvency of the bank, and upon condition that the president and entire board of directors should resign. On October 21st the bank began business under a new management, and thereafter ceased to be a disturbing factor in the situation, though, it may be added, in January it was deemed advisable to close the bank for liquidation. While the reorganisation of the Mercantile Bank was being carried out, the clearing house was given an opportunity to intervene in the affairs of certain other banks whose management had long been regarded with distrust. One of the directors of the Mercantile Bank was Mr. C. F. Morse, whose activities in the industrial and banking world had been of an extreme character, even when judged by American standards. He first became prominent as the promoter of the American Ice Company, an enterprise disastrous

to its shareholders, and in recent years he had been chiefly engaged in the formation of a combination of shipping companies engaged in the Atlantic coasting trade. For a number of years he had been one of the largest owners of shares in New York banks, but, it is important to observe, only in banks of moderate size. He was a director in seven banks, over three of which he seems to have had complete control. In securing this chain of banks, the shares of one bank were used as a security for loans with which to purchase shares in another bank and so on in succession, while at the same time the various banks were efficient instruments for the furtherance of other enterprises. Mr. Morse had long been regarded with distrust in banking circles, and a clearing-house investigation of his methods had been made as early as 1902, but it led to no definite action. His connection with the Mercantile Bank seems to have frightened depositors in his other banks, and two of them were obliged to appeal to the clearing house for aid on October 19th. Assistance was granted upon condition that Mr. Morse and certain other persons associated with him should retire altogether from banking in New York. Various clearing-house banks subscribed to a fund of \$10,000,000 to be used if necessary, and on Monday, October 21st, it may be said that the clearing house had completed the work of putting its affairs in order. The total deposits of these banks were only \$30,000,000, and therefore it was not a very difficult matter to give them the necessary assistance, but their difficulties gave rise to a vague feeling of distrust, which assumed dangerous proportions when it became known that certain banking institutions outside the clearing house were also in need of assistance.

The narrative of the crisis may with advantage be interrupted at this point to call attention to the significance of this Heinze-Morse episode as an example of a deep-seated cause of weakness in the American financial world. National banks are not permitted to open branch offices, and most of the States have enacted similar legislation. Consequently, banks are numerous, nearly sixteen thousand, if savings banks are included, and generally of small size. They are not large enough to be the principal business interest of those who own and control them. Upon the whole, the system has not worked badly, since the directorate has commonly included successful men from various occupations, but danger arises when, by securing possession of a majority of its shares, an individual or

group of closely associated individuals gain control of a bank for the purpose of furthering their own private undertakings. Unfortunately, there seems to have been a distinct tendency in this direction in recent years, and there is an almost entire lack of definite public opinion opposed to the practice. American good-natured optimism extends even to financial matters, regarding which there is a painful absence of thorough unflinching criticism in any financial journal. The weak and ineffective American attitude is well illustrated by the following comment by an influential New York journal upon the particular case of the Morse banks: "A few capitalists of no great standing, actively engaged in speculative industrial schemes of their own, were gaining control of a group of banks through mere stock ownership on a margin. . . . The possibility of danger had been known for six years past. If it be asked why no one interfered, the answer is that no one outside of the banking department had the right to examine the accounts of these banks and challenge the manner of control; second, that the very hazards involved in existing conditions rendered open accusation extremely perilous."¹

Surely a money market in which urgently needed remedies are thus dreaded can hardly escape an occasional upheaval! A healthy tradition should be cultivated, which would lead depositors to desert a bank known to be controlled by one man, or closely identified with a single industry. Even when honestly managed, there is the obvious danger which arises from the lack of a wide distribution of risks.

Returning to the narrative of events in New York, it is to be noted that there had been nothing in the nature of a crisis during the week the clearing house was putting its affairs in order. Crisis conditions developed during the following week, and were occasioned by the difficulties of certain trust companies, a group of financial institutions outside the clearing house. Trust companies were originally formed, as the name implies, to act as trustees, and, until about twenty years ago, had confined themselves closely to business of that nature. For the effective performance of their functions, they were necessarily given wide powers, and gradually it came to be perceived that they could engage in banking, unfettered by the restrictions imposed upon both national and State banks. Thereafter the number of companies increased rapidly in most American cities, but especially

¹ *The Nation*, Oct. 24, 1907.

in New York, where, in recent years, their deposits have been not much less than those of the clearing-house banks.¹ Relations between the banks and the trust companies had been somewhat strained for a number of years. The banks complained of the unfairness of competition with institutions which were not required to hold a large cash reserve, and in 1903 the clearing house adopted a rule which required all trust companies, clearing through members of the association, to accumulate a reserve which, though smaller than that of the banks, was considerably larger than was held by most of the trust companies. Rather than submit to this condition, most of the trust companies gave up clearing-house privileges, the most important exception, curiously enough, being the Knickerbocker Trust Company, the troubles of which began the second stage of the crisis.

The Knickerbocker Trust Company was the third largest trust company in New York, having deposits of \$62,000,000. The association of its president with some of the Morse enterprises engendered distrust, which made itself felt in a succession of unfavourable clearing balances. On Monday, October 21st, the National Bank of Commerce announced that it would discontinue clearing for the company on the following day. A committee representing other trust companies examined its affairs, without taking definite action, but a reassuring statement was issued by the Knickerbocker directors, in which the resignation of its president was announced. On Tuesday, after a run of three hours, during which \$8,000,000 were paid out, the company was found to suspend. Whether the company could not have been assisted is not clear, but that, if possible, it would have been of advantage to the banks and other trust companies is certain. The size of the company alone rendered assistance an undertaking of no little difficulty. The condition of its assets at the time has not been disclosed, but that it could not have been hopelessly unsatisfactory is indicated by the reopening of the company in March under a plan of reorganisation adopted in the interests of its depositors and shareholders. The plan of reorganisation adopted, however, showed that the assets of the company were even then far from being in a liquid condition, and, in the absence of any association among the trust com-

¹ Some trust companies have remained true to their original purpose, and trust funds and other more or less inactive deposits make up a considerable proportion of the deposits of nearly all of the companies. It is reasonably certain, however, that their banking deposits are at least equal to half those of the clearing-house banks.

panies, or of responsibility on the part of the clearing-house banks, the suspension of the company was unavoidable.

Equally favourable judgment cannot be passed upon the means which were adopted at the next stage of the crisis. On Wednesday, October 23rd, a run began upon the Trust Company of North America, the second of the trust companies in size, having deposits of \$64,000,000. The president of the Knickerbocker was one of its directors, but the unfortunate disclosure that its affairs had been the subject of a conference on Tuesday was the chief influence in precipitating a panic among its depositors. The company withstood a run which continued for two weeks, during which it paid out some \$34,000,000, on Wednesday and Thursday paying \$12,000,000 and \$9,000,000. During those two days New York was threatened with a general panic. A number of other trust companies experienced runs of varying degrees of severity. A few small mismanaged banks in the outskirts of the city were found to suspend; loans could only be secured with extreme difficulty, and the fall in Stock Exchange prices was alarmingly violent. The Trust Company of North America was assisted, since its assets were apparently in a more satisfactory condition than those of the Knickerbocker, and even more because it was clear that the foundations of the entire credit system were endangered. The steps taken, however, were slow, and the means adopted were not sufficiently clear in import to renew general confidence. A committee of six trust company presidents was formed to receive applications for assistance, make examinations, and report to meetings of all trust company presidents. Money was provided in large amounts, but confidence was not restored until on November 6th announcement was made that a majority of the shares of the Trust Company of North America and of another trust company had been placed under the control of a committee of trust company presidents, and that the "necessary financial arrangements had been made to enable both companies to proceed with their business." The inference cannot be escaped that the New York money market is not adequately organised to cope quickly and effectively with an emergency.

During the three days of heavy runs upon the trust companies, the strain upon the clearing-house banks was very severe. They had to furnish most of the money required by the trust companies, whose reserves were deposited with them, and at the same time they were shipping money to the interior for crop moving purposes, and they also suffered some loss in payments

to their own frightened depositors. On the other hand, they were strengthened by the receipt of \$25,000,000 of Government deposits, with the result that the loss of cash for the week ending October 26th was only \$13,000,000. The reserve was \$254,000,000. These figures are taken from the bank statement, which shows average conditions for the week. Doubtless the actual loss was somewhat greater, but certainly the loss in reserve was not large after so eventful a week.

At the close of the week there were many indications that the worst of the panic was past. Withdrawals of deposits were diminishing, the savings banks were exercising their right to require sixty days' notice from depositors, and the trust companies had agreed to pay depositors, so far as possible, in certified cheques upon clearing-house banks. As a further measure of relief, it was decided to issue clearing-house loan certificates, a device the import of which is often misunderstood. It is not, as it is sometimes described, a partial suspension of specie payments in a disguised form. In ordinary times, clearing balances between banks are settled evenly by the payment of money. The clearing-house loan certificate makes it possible for a bank to pay in another way, though most payments continue to be made with money. Banks may pay with the certificates, which are issued upon the deposit of securities approved by a clearing-house committee appointed for the purpose. It is a sort of organised system for procuring rediscounts made by the banks as a unit instead of through single banks. The use of these certificates does not diminish in any way the obligation of the bank to pay, or the power of the depositors to secure payment on demand. It is a device of the very greatest utility, wherever there are many banks, which do not clear through the shifting of deposits on the books of a central reserve bank. It makes possible a liberal loan policy in time of crisis, by taking away the temptation to secure favourable clearing balances and thus accumulate reserves by restricting loans, while other banks are doing all in their power to relieve the situation. For several days before the issue of loan certificates, stock brokers had been unable to secure money on call from the banks, because each bank was unwilling to lend unless the other adopted the same policy. In order to sustain the stock market from utter collapse it was found necessary to organise each day a money pool to which the various leading banks subscribed. After the issue of loan certificates that cumbersome and uncertain method was no longer required.

The belief that the worst of the disturbance in New York was over proved well grounded. Trust company difficulties continued for more than a week, until settled in the manner already described. There were no further bank failures, and no important failures of any kind. New York was only concerned with the later course of the crisis through its position as the reserve banking centre of the entire country over which the crises extended during the week ending November 2nd. A number of adverse circumstances had already been reported from various parts of the country while New York was struggling with its own difficulties. The various Westinghouse companies went into the hands of receivers on account of inability to secure the renewal of large floating indebtedness, and as a consequence the Pittsburg Stock Exchange was closed—an exchange dealing almost exclusively with local securities. The Heinze troubles involved a bank in Butte, Montana, and in Goldfield, Nevada, runs on the banks due to local causes forced them to suspend. In Providence, Rhode Island, a large trust company with deposits of \$25,000,000 was obliged to close, and other smaller banks were subjected to runs.

These widely scattered troubles are mentioned because they contributed to the alarm which spread throughout the country on account of the panic in New York. Everywhere the banks suddenly found themselves paying out money in response to the demands of frightened depositors, and were in turn forced to draw upon their reserves deposited with other banks. The evidence of lack of confidence in the banks is clear, and points to a serious problem in American banking. For an historical parallel in England we should need to go back to the first quarter of the last century. Explanation is simple, however, if the course of previous American crises is recalled. Seven times during the last century the banks suspended payment in some measure at least, and there has been a currency premium, the last occasion having been so recent as 1893. There is a well-grounded belief among the people that it will be difficult to secure cash during periods of economic disturbance. In all countries, in times of crisis, some depositors withdraw their money and hoard it from unreasoning fear. In the United States there are also withdrawals by prudent depositors who wish to be absolutely certain that they shall have the money needed in their affairs, and still others who are influenced by the prospect of a handsome profit, in a few weeks, through the sale of money at a premium. Former suspensions have established a tradition

which is an ever-present source of weakness, and which can only be broken by the successful endurance by the banks of the strain of a crisis. Last autumn provided an exceptionally favourable opportunity, since general economic conditions were far less unsound than on many occasions when payment was suspended in the past. Unfortunately, almost as soon as withdrawals began, and before the banks had suffered a serious loss in reserve, specie payments were suspended once more. It was a measure not taken as a last resource; it was simply a precautionary measure wholly without justification from anything which had occurred. Before the end of the week ending November 2nd, partial suspension was general throughout the country, though there had been but one important banking failure, a San Francisco trust company, with deposits of \$9,000,000. The withdrawal of deposits and the hoarding of money were the only reasons which led to suspension where it was first resorted to. In some cities and by some banks it may have been necessary, because it had already taken place elsewhere, but this is improbable, because of the short time in which suspension became general. The extent to which suspension was carried cannot be accurately determined. It varied in different sections of the country, and with different banks, and also from day to day by the same bank. The governors of some of the western States declared a succession of legal holidays, though not in every case at the desire of the banks. More generally the banks began to "discriminate" in making payments. In Chicago, a central reserve city, "the banks stopped shipping currency for two or three days to their correspondents south and west, but for the past day or two have resumed such remittances on a moderate scale in cases where the demand seemed imperative." From various reserve cities came similar reports; *e.g.*, "In Minneapolis and St. Paul the bankers agreed to suspend temporarily the payment of money on cheques, certificates of deposits, or drafts, except for small sums, and further, for the present, to furnish no money for bank correspondents." "In New Orleans the associated banks have limited currency payments to any one depositor to \$50, except in cases where deviation from the rule seems necessary."¹

Banks as well as individuals throughout the country were evidently hoarding money, and trying to collect still more. Their demands upon the New York banks suddenly assumed unprecedented proportions. Even at this point, if the New York banks

¹ See *Commercial and Financial Chronicle*, Nov. 2, 1907, p. 1119.

had met every demand for money made upon them, it is probable that the banks elsewhere would have soon resumed the normal course of their operations, but they failed to do so, though they did not begin to discriminate so soon or in the extreme manner of the banks in some other cities. During the two weeks ending November 2nd, they sent \$42,000,000 to interior banks, and their reserve was reduced by about the same amount and stood at \$224,000,000. In the meantime, gold imports to the amount of \$29,000,000 had been engaged with more in prospect. The position of the banks was far from desperate, yet they had already entered the fatal and discreditable path of suspension, paying depositors at their own discretion. On October 31st, a premium of 3 per cent. was paid for money in New York, and a premium of varying amount, sometimes as high as 4 per cent., continued until the close of the year.¹

It is not possible to determine the extent to which suspension was carried in New York. It was stated with justice on behalf of the banks that money in large amounts continued to be paid out, and it was admitted that money was refused when it was believed that hoarding, whether by banks or individuals, was the object. On the other hand, when we find individuals, corporations, and banks buying money at a premium with certified cheques, it cannot be doubted that the refusal to pay cash was something more than an obstacle to the unintelligent demands of frightened depositors. There is fortunately some evidence upon this matter, which is not derived either from the complaints of depositors or from the apologetic utterances of bankers. After November 2nd, the weekly bank statement shows almost no further decline in the cash reserve. On that date it was \$224,000,000; on November 23rd it had been reduced by only \$9,000,000, and thereafter it increased week by week, and stood at \$251,000,000 at the time the money premium disappeared. In other words, at no time after the beginning of November did the New York banks supply the country with appreciably more than the additional money they secured through gold imports and in other ways, and not even all of that during most of the time that the money premium continued. It is significant that the much smaller banking reserve of the Bank of England was reduced during the first two weeks of this period from £24,000,000 to £17,000,000 without the remotest thought of suspension. Whatever may have been the situation in the rest of the country,

¹ For a table giving the premium for each day see "Hoarding in the Crises of 1907," by Professor Andrew, in the *Quarterly Journal of Economics*, Feb., 1908.

the New York banks proved themselves wholly unequal to the duties of their position as the central reserve banks of the country.

It is not a little surprising to find that American financial opinion is far from unfavourable to the banks, the suspension of which seems to be generally thought to have been unavoidable. This opinion is a natural and inevitable consequence of an entirely erroneous habit of thought in the United States with reference to banking reserves. Before the establishment of the national banking system in 1863, insufficient reserves were a constant source of weakness of American banks. The national banking law required a certain minimum of reserve to deposits from all banks entering the system, the percentage varying with the location of the bank. For New York and other central reserve cities, of which there are still but two—Chicago and St. Louis—a reserve of 25 per cent. is required. Banks in reserve cities (now about forty in number) must also have a reserve of 25 per cent., one-half of which may be deposited in central reserve city banks. Other banks, commonly called country banks, must have a reserve of 15 per cent., three-fifths of which may be deposited in reserve or central reserve city banks. Under the influence of this legislation, undue importance has come to be attached to the ratio between reserve and deposit liabilities, which is consequently maintained at all costs. On November 2nd, when the New York banks had \$224,000,000, they were below the 25 per cent. requirement by the amount of \$38,000,000, and a little later, when they still had \$215,000,000, the deficiency was \$54,000,000. This was an amount far greater than ever before and was apparently regarded by bankers and the public as a sufficient reason for partial suspension, and as evidence that everything had been done to the full extent of the power of the banks to relieve the situation.¹

Without exaggeration, this arithmetical reserve ratio can only be adequately characterised as a sort of fetish to which every maxim of sound banking policy is blindly sacrificed.

Outside New York the banks manifested an even more slavish attention to reserve requirements. In the absence of weekly statements, comparison must be made of the condition of the national banks on August 22nd and December 3rd, when reports

¹ For persistent failure to keep the required reserve, the Comptroller of the Currency may close a bank. There is no other specific penalty, and therefore it is not the requirements of the law that force the banks to maintain their reserve ratio in all circumstances.

were made to the Comptroller of the Currency. Taking all the banks in the system, cash holdings were reduced by only \$40,800,000, while their deposit liabilities had at the same time been diminished to the extent of \$350,000,000. The New York national banks alone lost \$41,700,000, or more than all the banks of the system taken together, and had a reserve of 21.89 per cent. The other two central reserve cities lost \$18,000,000, and were both below reserve requirements. The forty reserve cities held \$28,000,000 less in December than in August, but were still, taken as a whole, somewhat above the reserve requirements. The city banks taken together paid out \$87,000,000, but still had \$414,000,000 against a deposit liability of \$2,421,000,000, of which \$143,000,000 consisted of deposits of reserve city banks in central reserve city banks. In the meantime the country banks increased their cash holdings from \$199,000,000 to \$246,000,000, taking more than half the amount lost by the city banks, and had increased their cash reserve percentage from about 7 per cent. to nearly 10 per cent. If the money holdings of trust companies and State banks could be secured, it would probably be found that they had absorbed all the money not taken by the country national banks, since a relatively larger proportion of the reserve of those institutions is normally deposited with city banks.

The figures just given do not by any means show the amount of money paid out by the banks. During the three months before December, the money in circulation was increased by \$72,000,000 of Government deposits, by \$70,000,000 from gold imports, and by an increase of \$50,000,000 in the issue of bank notes. Nearly \$200,000,000 was added to the money outside banks and trust companies, and most of this was probably hoarded.¹ This is indeed a large sum, but for that very reason it is reasonable to suppose that the hoarding demand for money could have been satiated if the banks had refrained a little longer from adopting the policy of suspension. And finally, it may be observed that if in the end suspension had become unavoidable, it would not have made any serious difference whether the reserves of the banks had been but 10 per cent. rather than 20 per cent. of their deposit liabilities.

The effects of this partial suspension cannot be stated in

¹ After suspension more money would necessarily be required for a given volume of business, since people would be chary of depositing in the banks money for which they could foresee a need in the near future. On the other hand, extensive use was made of certified cheques and of other evidences of bank credit for payments, which in ordinary times are made with money.

general terms, because, as has already been noted, the extent of suspension varied in different places and with different banks, and with the same banks from day to day. For purely local purposes various substitutes for money, such as certified cheques, were in many places largely used even for small retail purchases, and for the payment of salaries and wages. Many factories were, however, closed, or went upon half time from the sheer impossibility of securing any medium for the payment of wages. A more general and depressing influence upon industry was due to the dislocation of the exchanges between different parts of the country. Domestic exchange became irregular, and at times it was almost impossible to secure it at any price. Drafts upon distant banks were of uncertain utility, for the banks would not always accept them even at a heavy discount. In every branch of trade, reports were made of rapidly diminishing sales simply on account of the currency situation. Some little time elapsed before this influence made itself felt in the production of commodities. In the iron and steel industry, November showed a distinct decline, which was, however, small compared with December. Taking the earnings of the United States Steel Corporation as a measure, we find a reduction of about 25 per cent. in November compared with the same month in the previous year, while in December they fell away nearly 65 per cent. Pig iron production tells the same story, December production of 1,234,000 tons, compared with 2,336,000 in October and 1,828,000 tons in November. This severe depression was a direct consequence of the partial suspension of the banks, but even under the strain to which all industry was subjected, there were only 1,180 failures in November with liabilities of \$17,600,000, compared with liabilities of \$12,000,000 in November, 1906.

Further indication of the course of trade is afforded by the figures of railway gross earnings, which, compared with the previous year, increased in November by about $3\frac{1}{2}$ per cent., but fell off in December by more than 6 per cent. The reduction would have been greater but for the heavy traffic in commodities for export, notably cereals, cotton, and copper. The banks seem to have made special efforts not to disturb the export trade by means of which foreign gold might be secured. Exports for November and December were nearly \$39,000,000 greater than in the same month in 1906, while imports fell off \$51,000,000 compared with the previous year. It is altogether likely that this abrupt change in the relative amounts of exports and imports would have led of itself to gold imports, but it is equally certain

that the enormous quantity of gold brought to the United States from foreign countries was in a large measure secured as a result of the currency premium. In November the net gold imports were \$63,000,000, and in December \$43,000,000. The currency premium enabled American bankers to bid fancy prices for gold in London, and when it was above 3 per cent. it was possible to import gold at a profit, even when exchange rates were at the normal export point. The ordinary safeguards of the banking reserves in foreign free markets for gold were made of no avail, and European industry was burdened with onerous rates of discount because American bankers were not "playing the game" according to the rules which long custom had established. Certainly the most obvious instincts of self-protection would seem to suggest the wisdom of restricting American open credits in European banks within definitely narrow limits.

Many foreign observers have expressed the view that the American banking troubles were the result of deep-seated moral causes, assuming that the many disclosures during the last few years of corporate greed, mismanagement, and wild financing had created distrust of the banks. In the case of the early runs upon New York banks and trust companies, there is perhaps some ground for this opinion. It does not, however, apply to the banks in general. In the absence of branch banking, the banks in each place are, with few exceptions, owned as well as managed by local people. The misdeeds of trusts and railroads cannot be supposed to weaken the confidence of the people in those of their neighbours who happen to be engaged in banking. It may, however, be thought that the withdrawal of their deposits by the country banks was due to the distrust of the bankers in the large cities, but since the crisis money has been returned to the city banks as in former years, though there has been no change in the management of those banks which might have restored confidence had it been lost. We are therefore driven back to the conclusion that the country banks were influenced in part by unreasoning fear, and to a greater extent by past experience of the difficulty of obtaining money from the reserve banks in times of crises.

In the United States an equally mistaken explanation has found general acceptance—the inelasticity of the currency system, and in particular the difficulty of expanding a bond secured issue of bank notes to meet emergencies. In the recent crisis, however, there was no lack of expansion in the purchasing medium. During October there was an increase of \$70,000,000 through

Government deposits in the banks and the issue of bank notes, in November \$120,000,000 by similar devices and by gold imports, and in December there was an increase of \$60,000,000. In another crisis these means might not be available. The Government treasury does not always hold a surplus; gold imports cannot be depended upon; and Government bonds for circulation are not always procurable.¹ For further emergencies, therefore, it may be advantageous to have a less rigid system of note issue, but no one should entertain the expectation that by that means alone troubles similar to those of last autumn will not reappear. No system of note issue can be devised which will be safe, useful for normal occasions, and at the same time will make possible an acceptable additional issue in time of crisis as large as the \$250,000,000 by which the money in the country was increased in the last three months of 1907. Had greater freedom of issue been possible, it is more than probable that credit would have been extended in that form to sustain speculation and prevent some of that moderate decline which came before the crisis. In this connection, it should be noted that none of the measures now before Congress contain that provision which is most essential to secure a safe and truly elastic currency where there are many banks of issue, viz., the requirement that no bank shall pay out the notes of other banks. This is the usual practice of the Scotch and Canadian banks, and is followed because to their obvious advantage. In the United States, with its thousands of banks, the cost of note redemption would be heavy, and the specific advantage to any one bank would be trifling. Without definite legal requirements, it would not be done, and hitherto bankers have shown no willingness to accept such an arrangement, or, indeed, very little conception of its importance.

The principal source of weakness in the American banking system can be traced to the large number of banks in the country. There are nearly sixty-five hundred national banks with aggregate resources of more than \$8,000,000,000, nearly ten thousand State banks with resources about half as large, and about eight hundred loan and trust companies whose resources fall a little short of those of the State banks. The proposal of

¹ Late in November the Secretary of the Treasury sold \$25,000,000 of Panama Canal bonds and \$15,000,000 certificates of indebtedness, not because the Government needed money, but to provide further security for the issue of bank notes. For the former, 90 per cent. of the purchase-money was left on deposit with the banks, to whom their sale was almost wholly confined, and 75 per cent. in the case of the certificates. These sales were made under a strained interpretation of the law, and the addition to the circulation was small and came too late to be of real assistance.

a central bank of issue, which is favoured by many persons at present, would be of doubtful value among so large a number of banks and in a country having such varied conditions as the United States. The experience of other countries with a central bank affords little or no indication of its probable consequences. If branch banking were to be permitted, and if sufficient time were to elapse to allow considerable banking concentration and the acquisition of knowledge of its working, many American banking problems would be simplified, and the experience of foreign countries might be followed.

In the existing state of public opinion in the United States, the acceptance of branch banking is unlikely, and therefore, in the consideration of legislative proposals, conditions arising from the enormous number of banks should not be neglected. The actual amount of money held by American banks (about \$1,100,000,000) in proportion to their deposit liabilities (\$9,000,000,000) is large, but it cannot be used effectively. It can hardly be expected that thousands of bankers can be made acquainted with the policy demanded by crisis conditions, and that they will have the courage and daring required to put it in practice. The undertaking which Bagehot set himself, to convince London of the proper policy for the Bank of England, was slight in comparison. In the future, as in the past, we may expect that in time of crises, each bank, or at any rate the banks in each locality, will forget that they are members of a closely interwoven system, and will act as if they were separate entities. In ordinary times, therefore, it is important that the banks should not become vitally dependent upon each other. The deposit of reserves in city banks has evidently been carried too far. The provision of the national banking law regarding the proportion of reserve which may be deposited should be changed. Instead of keeping two-fifths of their reserve, the country banks should be required to hold at least three-fifths, and instead of one-half, the reserve cities should be allowed to deposit no more than one-third in central reserve cities. The practice of depositing reserves has been greatly stimulated by the payment of interest, usually 2 per cent., for bankers' deposits. Even temporarily idle funds are sent to the city banks. The country banks normally have much more on deposit than is needed for their reserve requirements, and the rapid growth of State banks and trust companies in recent years has added enormously to deposits of this nature in city banks. This is, of course, especially the case in New York, where very nearly half the

deposits of the national banks are of that description. A law prohibiting the payment of interest upon bankers' deposits would diminish their amount, and at the same time would make it possible for the city banks to keep larger reserves against them. Legislation of this kind, together with some provision for a heavily taxed emergency note issue, are the simplest and, upon the whole, the most effective legislative remedies for the recurring troubles among American banks, but, above all, a more intelligent understanding of the purpose of banking reserves is required.

O. M. W. SPRAGUE

LABOUR ORGANISATION IN THE CUTLERY TRADE OF SOLINGEN.

THE German cutlery industry, which is almost entirely localised in the town and neighbourhood of Solingen, presents many of the interesting features which are familiar to those acquainted with the light trades of Sheffield, and offers in addition a remarkable example of successful labour organisation, which has no equivalent in the English cutlery centre. Solingen differs from Sheffield in being a small town of 50,000 inhabitants, whereas Sheffield contains nine times that number. Indeed, the population of the whole area of the industry, including Solingen and the surrounding country, together with the adjacent towns of Gräfrath, Höhscheid, Wald, and Ohligs, does not number one-third of the inhabitants of Sheffield. Throughout this area the staple industry is the manufacture of cutlery—the manufacture of tools, saws, and files, which are also Sheffield trades, being carried on in the neighbouring town of Remscheid, under totally different conditions, while to find the equivalent of the heavy steel trade of Sheffield it would be necessary to include the town of Essen.

Sheffield and Solingen have for many generations been keen competitors in the world's markets. They are curiously similar in situation. Both in the past have profited by the abundance of waterpower on the small streams in their respective neighbourhoods, and the easy access to suitable stone for grinding, while the mountains of Westerwald formerly supplied Solingen with an abundant supply of natural steel of a fair quality, obtained directly by smelting with charcoal. To-day steam in Sheffield, and electric power in Solingen, are taking the place of the water-wheels, the grindstones are no longer purely local in origin, and both towns alike make large use of the finest Swedish iron, which is converted into steel in Sheffield. Again, in both places the large proportion of the operatives who are "outworkers," have retained down to

the present day some of the independence of the mediæval craftsmen. Although they no longer own the actual materials of their work, they still own all the necessary tools and equipment, and work at a time and place largely within their own discretion. Among the outworkers of Solingen, the threefold division into "master" workman, journeyman (or "datal man," as he is called in Sheffield), and legally bound apprentice, is still sharply defined.

In Solingen the craft of the sword-maker has been carried on from the earliest times, and already in the fifteenth century they were incorporated in three Companies of the Sword-smiths, the Temperers and Grinders, and the Finishers, which were mutually exclusive as to membership. Originally all blades were forged by hand, but mechanical hammers driven by water-power came into use in the sixteenth century, and a vain attempt in the year 1687 to prohibit the use of blades made in this manner only served to mark the predominance of the new method. Side by side with the technical transformation an economic revolution took place; there grew up a body of capitalistic merchants or factors, and the workers became wage-earners, working on material supplied by the merchants. In 1571 the knife-makers in their turn attained to the privilege of an independent incorporation—six years later than the date of the earliest known Ordinances of the Sheffield Cutlers, though the members of the Sword-makers' Companies retained the right to exercise this humbler craft until the middle of the century following. In 1596 Ordinances were passed requiring each master to be fully qualified as forger, cutler, and finisher; he was forbidden to employ more than one journeyman and one apprentice at a time; the use of blades made under mechanical hammers was forbidden; he was required to strike his own mark on all his work. The Ordinances of 1687 were intended to re-establish the position of the worker as an independent craftsman, and to check the transition to the status of mere wage-earner, but by the middle of the eighteenth century the change was complete, and from that time onward the economic conflict has centred in the problem of maintaining a fixed scale of wages for the various branches of the industry. The grinders had already become wage-earners by 1607, when they obtained their first official scale, and this was extended to all branches in 1673. The last general scale under the Guild system was ratified in 1789. It gave 211 specific prices for the detailed work of forging and grinding knives, 200 prices for the details of cutler's work, 10 prices for gold and silver decoration, 64 prices for fork grinding, and a complicated list of prices for

forging and grinding pocket knives, arranged in seven classes. The ancient rule that no master should employ more than one journeyman and one apprentice was reaffirmed. In 1794 the Scissor Makers—a body of about 200 master workmen and their assistants, hitherto outside the Cutlers' organisation—obtained a grant of incorporation, being the last section to be admitted to such privileges. In 1809, however, the whole Guild organisation was swept away, and a period of industrial anarchy engulfed the workers, who numbered more than 4,700, and rendered them powerless to withstand the devastating spread of the "truck" system, which was carried on by the merchants. This system of payment reached its full development in the period 1820-1840, and contributed greatly to the degradation of the ancient industry, and caused it to acquire an evil reputation, since the standard of workmanship sank to a low level under these conditions. In 1840 the establishment of an Industrial Court with a Board of Conciliation in Solingen provided some means of bringing the employers and their workers into harmonious relations; but the modern organisation does not really begin until after the concession of the right of combination in 1869. Since that time the workers have been able to re-establish their position as independent outworkers, and to offer a stout resistance to the inevitable trend towards factory organisation.

In Sheffield, at the present time, the large factory with many departments embracing all the various processes tends more and more to become the dominant type, and there is a steady though gradual decline of the system of outwork, which is now mainly restricted to those who work for "little masters," though there are but few firms which give out no work at all. There are two classes of "little masters"; the first occupy a small office and warehouse, and have little or no work done on the premises, but utilise the labour of outworkers, generally those who are neediest and the poorest workmen. They buy the parts of the article stamped out by machinery, and, having had them worked up, travel round to country towns and watering-places selling at prices at which they can defy the larger establishments who have heavy fixed charges and higher wage rates to meet. The other class are working grinders, or cutlers who employ a team of two to six men on time wages to work with them. Such a man rents a whole room in a tenement factory—a cutler's shop or grinding "hull" as the case may be—and takes work wherever he can find it, either from the warehouse of one or more of the larger factories, or from little masters who do a factoring trade. Other outworkers are

single-handed, or employ a man and possibly a boy to assist them ; such was commonly the rule of the trade when the Unions were stronger. The outlook in the trade is not sufficiently attractive to cause a superabundance of boys. In the hand-forging branches the *personnel* is practically stationary, and the trade is rapidly being transferred to the mechanical hammers.

In Solingen, as in Sheffield, the transition from domestic to factory organisation is steadily proceeding ; indeed, in the manufacture of arms it is already accomplished, with the sole exception of the hardening process. In all branches the substitution of mechanical for hand hammers has transferred the forging process to the factories, in this respect presenting a contrast to Sheffield, where much of the finest cutlery is still hand-forged. The machine-grinding of razors has also found a foothold in Solingen, and electric ovens for tempering have reached an experimental stage. On the other hand, the operations subsequent to forging, namely the tempering, grinding and glazing, filing, hafting and finishing processes still to a large extent take the form of outwork, and are likely to remain so. A significant check has been given to the concentration in factories by the very rapid diffusion of electrical energy which has taken place among the outworkers ; this enables them to have at their command, in whatever quantity may be desired, the assistance of motive power for drills, lathes, grindstones and polishing wheels, and at the same time provides them with electric lighting—an important advantage where fine work is undertaken. To the grinders it has proved especially beneficial, since it has rendered possible the multiplication of private grinding shops attached to dwelling houses in the suburbs, and has thereby improved the position of many who would otherwise have to work either in the water-driven grinding wheels which are found on all the streams in the district, or in the steam-driven factories in the town. Thus, by means of these private installations, a positive extension of outwork has recently taken place, and fresh shops are being provided at the rate of 200 per annum, half of which are grinding wheels. It may, indeed, be said that all manufacturers give out more work than they carry out in their own factories, and the largest firm in Solingen, who employ 2,400 workers, only find work for some 800 on the premises.

The outworking grinder either occupies his own shop, sometimes singly, sometimes in partnership with one or more fellow-workers, or rents a "Stellung" (or "trow" as it is called in Sheffield) from the proprietor of a tenement factory, paying a

weekly rent of from 1s. to 6s. per week, the larger sum being the most usual, but the former price still to be found in some of the more dilapidated water-driven wheels. For this rent he obtains shop room and power, but must supply his own grindstone (a new stone costs £7 to £8), glazers, and other tools.¹ If he employs another man or an apprentice to work with him he must pay double rent. The wages for which he works are thus subject to important deductions, which render the calculation of nett wages and nett labour cost of production a matter of some complexity. The local income-tax regulations allow a deduction from a grinder's gross earnings, on account of expenditure on tools and rent, varying from 20 per cent. in the case of razor grinders to 33½ per cent. in the case of sword grinders. Even these figures do not, in some cases, represent the full extent of the outlay involved.

At the opening of the nineteenth century there were in Solingen and the neighbourhood 4,700 cutlery workers, distributed as follows :—

	"Privileged" master workmen.	Their assistants.	"Unprivileged" workers.	Total.
Sword makers	580	480	570	1,630
Knife makers	400	600	700	1,700
Scissors makers	200	200	100	500
Grinders	500	400	—	900
	1,680	1,680	1,370	4,730

It is noticeable that a considerable proportion of the total number of workers at that time consisted of "wild," or unprivileged men, who were included in the Guild. There were then 93 grinding wheels in the Solingen district. Work was irregular, being checked by frost in winter and by drought in summer, as well as by bad trade; thus the grinder commonly spent part of his time in cultivating a plot of land. Steam wheels were first introduced about 1850. In 1832 there were 89 wheels; in 1860 there were 105; in 1895 the number had risen to 189, of which 63 were driven by water and 107 by steam. There are now some 700 grinding wheels, less than 30 being driven by water power, the greater number being small establishments with electric installations.

	No. of grinders.		No. of grinders.
1860	1,581	1895	3,727
1875	1,846	1898	4,027
1885	3,007	1908	5,033

¹ Similarly, a Sheffield table-blade grinder renting two "trows" has to provide for a weekly outlay of about 15s. for rent and 6s. for materials.

Two-thirds of the grinders are now independent master workmen. The total number of cutlery workers is as follows :—

	Organised in Local Federation.	Organised in National Federation.	Un- organised.	Total.
Grinders	3,189	1,070	774	5,033
Forgers	378	731	120	1,229
Cutlers, Hafters, Filers, and Finishers	2,381	2,558	895	5,834
	5,948	4,359	1,789	12,096

These figures are obtained from trade union sources, and may be taken to include all regular workers in the trade, though a strict census enumeration would probably increase the totals. The 12,000 thus employed are composed—in round numbers—of the following groups :—

Employed in	Number.
Pocket-knife Trade	3,300
Scissor Trade.....	3,200
Table-knife Trade.....	2,000
Razor Trade	2,000
Sword Trade	500
Various	1,000
	12,000

The four chief departments of the cutlery industry are the forging, the grinding, the putting together or cutler's work proper, and the final finishing, the first and the last being almost entirely carried out in the factories. In the forging process much machinery is employed. For razors and scissors die forging under a drop hammer is usual; for table and pocket blades trip and tilt hammers are used, and in the case of the table blades more elaborate machines with two or four hammers operating against one another simultaneously. In all cases the superfluous metal is then sheared off, and the exact contour given to the article in a cold fly-press. In the case of mechanically forged goods, owing to the regularity of form attained, there is probably some saving of labour in the subsequent processes of grinding or filing, particularly in the case of hollow forged razors. The grinding proper is carried out on large sandstone wheels, often seven to nine feet in diameter, moistened by a slight stream of water from a pipe. The top of the stone revolves towards the grinder as he sits facing it, holding his work against the face of the stone, with the help of hands and knees, some eighteen inches from the ground. This process finished, the same man takes his work to another room for the "glazing" or finer grinding; this is done on revolving disks of wood, about 18 inches in diameter, the leather-coated periphery of which is dressed with emery powder of varying

degrees of fineness. Goods of the best quality are given their final polish by means of rouge powder, on a wheel covered with soft leather, or by using a revolving brush or "dolly" and Vienna chalk. Work which cannot be adjusted to a revolving stone or wheel, such as scissor handles, must be filed. The occupation of the "cutler" proper is furnished by the process of putting together, as a pocket knife is built up out of numerous parts. The cutler's work is a succession of skilful manual adjustments, each knife being a unique agglomeration of parts which are not interchangeable with another knife out of the same batch. It is thus intelligible that the cutler, although his work is not particularly arduous or exacting, should enjoy a high reputation as a handy man for any manual job. The last process is that of the "finisher" in the factory, who gives the final external polish and leaves the article ready to hand to the customer.

Especially in the grinding and putting together of cutlery goods the system of outwork is still prevalent. The grinder needs only simple motive power, and the cutler, until recently, was accustomed to do without power altogether, to make all his borings, &c., by hand, and to use a simple foot lathe to rotate his glazer.

In such circumstances the attempt to concentrate the work in factories brings with it few economies, but it facilitates labour organisation. Outworkers are difficult to organise even for so fundamental an object as the defence of a common piece-work price-list. When large numbers of them live beyond the limits of the town, and may even work in their own homes, they acquire little of the *esprit de corps* of a factory, and the price-lists are exceedingly difficult to preserve from the insidious attacks of discounts conceded by needy workmen here and there when work is scarce. The chief reason why the grinders both in Sheffield and Solingen have been better organised than the cutlers is that they are more congregated at their work. In Sheffield, indeed, owing to ineffective organisation, few if any of the printed price-lists which are still found in the cutlery trades are literally adhered to at the present time. In Solingen the case is quite otherwise.

Until recently the workers of Solingen were united in numerous sectional societies, each embracing those occupied in a single process in the manufacture of one of the staple articles. The formation of powerful sectional unions practically compelled the employers to unite in self-defence in their turn. Thus the basis of the present organisation is found in the existence of some thirty to forty sectional labour unions confronting a number of employers' associations.

The most prominent of these employers' associations are those of the Sword Cutlery Manufacturers, the Pen and Pocket Knife Manufacturers, the Table Knife Manufacturers, the Razor Manufacturers, and two Associations of Forge Proprietors, one of which is confined to Pen and Pocket Blade Forge Proprietors. Naturally many of the employers belong to two or more of these societies, according to the scope of their businesses. The leading labour unions, with which these have to deal, are the Scissor Grinders' Union, with 1,250 members, the Table Blade Grinders, with about 900 members, the Razor Grinders with 700 members, the Pen and Pocket Knife Cutlers and Finishers, each with 650-700 members, the Table Blade, Scissor and Fork Forgers with 560 members, the Pen and Pocket Blade Forgers with 200, the three unions of Table, Butcher, Bread and Vegetable Knife Cutters, together including 480 members. It is worth while to glance at the history of the principal unions.

Scissor Grinders' Union.—After the concession of the right of combination by the law of 1869, the grinders quickly seized the opportunity presented by a series of prosperous years, and built up a strong organisation. The Scissor Grinders' Union was established in 1872, and ever since that time has remained one of the most powerful societies. The policy of enforcing their demands on individual firms one at a time soon brought home to the employers the need for defensive alliances, and already in 1874 the Associated Scissor Manufacturers were able to make a firm stand for five months, during which period they gave out no work. In February, 1875, the injurious dispute came to an end, and an agreement was ratified which provided for the establishment of a joint Conciliation Board and a guaranteed piece-work price-list. Both sides were pledged to enforce the list on those masters or workmen who stood outside their respective organisations, and no alteration of the list could be entertained without three months' notice. Agreements of this character have been in force for thirty years, and recently their operation has been extended to most branches of the staple trade. The price-list for scissor grinding was modified in 1878, after which it was maintained unaltered until 1890, in spite of severe trade depressions and the competition of "wild" or unorganised workers at lower prices. Some evasion occurred which was made possible by the connivance of individual grinders, as, for instance, by giving a "full polish" when only "three-quarter polish" was entered and paid for, but when such practices were discovered the employer was compelled to refund the deficiency to the union. On the whole the agreement was successful in

securing steadiness of wages and in maintaining the quality of work. An increased list was conceded in 1890, which survived an obstinate attempt to break through the agreement made by one of the most important firms in the district during the years 1898-1900. This dispute ended in a victory for the grinders and the recognition of an even more favourable price-list. In the following year the Manufacturers' Association attempted to effect a reduction, and the Conciliation Board in this case failed to attain a pacific arrangement, as did also a special Board appointed jointly by the Central Committee of the workers and the Federation of Manufacturers' Associations. The consequent strike and lock-out resulted, however, in the re-establishment of the scale, and in an undertaking to maintain it unaltered for three years. The present list dates from October, 1907. It is an elaborate pamphlet of 45 pages, one half of which is occupied by thousands of detailed prices applying to the immense variety of goods handled according to their kind, size and quality, the other half giving 125 drawings of the principal types of scissors dealt with and an index. The prices laid down are minimum prices, and are, as a matter of fact, exceeded by some of the best firms; they must be maintained under penalties by both the employers and the men. Repeated infringement involves the exclusion of the offending member from the society to which he belongs. The grinders may work for no master who does not pay the scale, and the employers are bound to refuse employment to any grinder who is convicted of taking less than the minimum. The Conciliation Board adjusts all questions which arise between the two organisations. Three months' notice of any proposed change of prices must be given, and alterations which are ratified by the Board can only come into force after another interval of three months, except by special agreement. The Board consists of seven employers and seven grinders appointed by their respective organisations; the chairman is an employer. The number of scissor grinders employed has trebled in thirty years.

Table Blade Grinders' Union.—As early as 1872 the table blade grinders carried out a successful agitation for a 25 per cent. increase of prices, in spite of the masters' refusal to supply work during a four months' dispute. Having little to fear from foreign competition they were able to dictate their own terms, and seem to have been masters of the situation during the period 1873-5, when the "king" of the grinders issued his mandates in the newspapers from day to day, and summoned employer and grinder alike to appear before him and justify wages given or received. The

employers, however, in 1875, followed the example of the scissor manufacturers, and formed an association. Two years later one of the chief firms attempted to introduce a new subdivision of work in the grinding and polishing, and to pay nett wages to their workers, the firm supplying all necessary tools and appliances. After a four months' dispute the association came to terms with the men, whereupon the firm referred to left the association and the union broke down. It was not until 1887 that the table knife manufacturers came to a mutual understanding with the Grinders' Union, and concluded the establishment of a price-list and a Conciliation Board. This Board was often called upon to investigate complaints against employers for abandoning the scale, and in many cases enforced the payment of an indemnity. In 1888 another important dispute occurred with reference to the system of work adopted by the above-mentioned firm. This firm supplied its grinders with all those tools and materials which the independent outworker found for himself, thus destroying all uniformity in the price paid for the work as compared with other firms, and in the eyes of the latter gaining for themselves an unfair advantage. In 1902 the Union demanded from the Manufacturers' Association an advance of prices; the association replied that the competition of such firms as the above was hitting their members hard, and that a reduction of wages instead of an increase would be required if it continued. They also reminded the grinders that they were not carrying out their agreement to work for no firm who evaded the price-list, and threatened to withdraw from their obligation not to employ grinders who worked below the list, so that they might be free, if they wished, to obtain goods from the illegal firms. In 1903 the manufacturers expressed their willingness to adopt a new price-list, including rates for work on the new system, on the grinders undertaking to see that the illegal firms promised their adhesion also. The firm with whom the trouble originated adopted a special scale of payment for subdivided work drawn up by a Commission,¹ and undertook to observe the new price-list. After a sharp conflict the new list with increased rates was ratified, and all the old obligations were fully restored.

Pocket Knife Cutlers' Union.—In this branch home work abounds, and there is a natural tendency to call in the assistance of women and children; moreover, since the workers are widely

¹ This firm pays *nett* wages, at a discount of 33½ per cent. from the price-list. Together with two or three other firms, where a system of subdivided labour is in force, they are strictly boycotted by the trade unions.

scattered, and much of the work requires but little strength or skill, organisation is difficult, and standard rates are easily broken through under pressure of poverty. The Union was established in 1889, but the prolonged negotiations for a common price-list were fruitless, and a five weeks' strike finally took place in January, 1895. Inquiries made at that time showed that there were 804 master workmen employed, assisted by 223 journeymen and 358 apprentices. Of this number 662 masters and 27 journeymen belonged to the Union; subdivision of employments and women's labour were common, and thirteen hours was the usual length of the working day. A Conciliation Board was established at the conclusion of the strike, which worked out definitions of standard qualities for the trade, but no agreement about prices could be attained, and the following year the dispute broke out afresh. This time the strike lasted seven weeks, and was assisted by contributions received from the cutlery unions in Sheffield. Finally a settlement was reached on the ground of mutual recognition of a price-list and the re-establishment of the Conciliation Board. A fresh list was adopted in 1900, which was enforced upon the manufacturers who were outside the Association. In 1904 there arose a difficulty with an important firm with regard to the calculation of deductions to be made from the list for work given out in a more advanced state than usual, certain preparatory work being performed in the factory. In spite of the comparative weakness of the organisation an agreement was reached after a short strike.

Pen and Pocket Knife Finishers' Union.—The finishers, to the number of 600, stood firm through a ten weeks' strike before they succeeded in securing a recognised list. This struggle cost them £5,000, and similar sums were lost both by other branches of workers and by the employers. New lists were subsequently obtained in 1900 and in 1907.

Pocket Blade Grinders' Union.—This organisation was founded in 1872, and the Pocket Knife Manufacturers' Association in 1880. There was a strike in 1882, and a prolonged dispute in 1890, which was concluded on the recognition of a price-list and a Conciliation Board. Fresh agreements were ratified in 1907.

Forge Workers' Union.—In the machine forging, which has developed rapidly during the last twenty-five years, a price-list was first established in 1900, after an obstinate strike which caused the employers to unite in the Forge Proprietors' Association, and join in a common Conciliation Board. In this struggle the workers were supported by the German Metal-workers' Federation. The agreement in this case covers not only the establishment of

an agreed price-list and a Conciliation Board, but also deals with hours of work, Sunday work, employment of youths, and other matters.

Both the employers' associations and the labour unions are respectively consolidated in wider federations. Thus many of the employers' federations belong to the "Verband der Fabrikantenvereine," which was founded in 1890, and re-established in 1900, and which admits to membership not only employers' associations but also individual manufacturers who have no opportunity of joining any existing organisation. This federation forms a second line of defence against the trade unions, and a further means of negotiation in cases where the sectional Conciliation Board has failed to settle a dispute. Its membership includes the chief associations, namely, the Manufacturers of Scissors, Table Knives, Pocket Knives, Forks, and Razors. Side by side with this federation are two others, the "Verein zur Wahrung der wirtschaftlichen Interessen der Solingen Industrie" and the "Verband von Arbeitgebern im Kreise Solingen," both established in 1903. The former is composed of individual manufacturers who own their own works, those who only employ outworkers being specifically excluded. It is not confined to members of the cutlery trade. Voting is regulated by the total amount paid in wages and salaries during the previous year. The sum of £1,500 so paid gives a right to one vote, two are given for £3,000, three for £5,000, and an additional vote for each further £2,500 up to a possible maximum of twenty-one votes. The membership is not large numerically, yet it represents probably more than half the wages paid in Solingen, and the Association gains in solidarity what it loses in comprehensiveness. If one of the members is boycotted by a trade union no other member may employ the defaulting workers. On the other hand, a lock-out must be ratified by three-fourths of the votes at a special meeting. The other association, the "Federation of Employers in the Solingen District," tries to embrace all employers, whether as sectionally organised or as individual members. Voting power here also is proportioned to wages and salaries. The object is to form an organisation which may counterbalance the practically universal organisation of the men. The Federation is one of the numerous similar organisations which are united in the "Verein deutscher Arbeitgeber Verbände." It has a large membership, including the Associations of Foundry Proprietors, Sword-cutlery Manufacturers and Pocket-blade Forge Proprietors, and has on more than one occasion successfully intervened in disputes.

The Labour Unions are united on their side in two wider federations, as well as by a Central Committee of delegates, or Trades Council, with somewhat extensive functions. The purely local federation of cutlery workers known as the "Industriearbeiter Verband," which includes more than two-thirds of the organised workers of the staple trade, is of recent origin. It is a manifestation of the spirit of sturdy independence and jealousy of external domination which actuates the workers of Solingen, and is a friendly opponent of the local branch of the national Federation of Metal Workers ("Deutscher Metalarbeiter Verband"). The latter is not confined to cutlery workers, but includes metal workers in miscellaneous trades, the latter constituting half the membership of the branch. The rivalry between these two bodies has provided a keen stimulus towards effective organisation, and has materially contributed to the success of the labour movement in Solingen.

The "Central Committee of the Solingen Trade Societies" was founded in 1899, and is composed of delegates from the sectional Unions affiliated to it at the rate of one delegate for the first 100 members, and an additional delegate for each additional 300 members. The delegates appoint an executive committee of seven members and three supervisors. All the affiliated societies are bound to carry out the decisions of the Committee. The contributions are at the rate of 10 pf. per month per member of the affiliated societies. The Committee gives no monetary assistance in the case of strikes or boycotts, except in extraordinary circumstances, but it affords legal defence in actions arising out of the activities of its members on its behalf. The Committee maintains a Labour Inquiry Bureau, which gives advice with regard to all matters relating to insurance, conditions of work, legal difficulties, taxes, military service, and the like; the Committee also pays special attention to the enforcement of the beneficial provisions of the Labour Laws, and supervises the elections to the Industrial Court.

The powerful and energetic organisation known as the German Metal Workers' Federation, itself a member of an international federation, has for years carried on a keen agitation in Solingen with the object of affiliating the local Unions. It has been joined by the old trade society of the Forge Workers, and by the Foundry Workers—both of these groups being factory workers—and by the bulk of the cutlers, grinders, and finishers of pen- and pocket-knives, as well as by a large number of individual members belonging to other groups.

The local federation, the "Industriearbeiter Verband," was established in 1907 in spite of the opposition of the Metal Workers' Federation, and the reluctance of some of the stronger of the sectional Unions to abandon their independence, which sentiment had proved fatal to all similar schemes in the past. It is really the offspring of the Central Committee, and is an amalgamation of about thirty-five sectional unions or groups of workers which must each be affiliated to the Central Committee. Most of these sections had previously their own constitutions and funds, though they varied greatly in influence and efficiency. The Federation only admits individual members when there is no group organisation for them to join. The total membership is more than 6,000, of whom the manufacture of scissors employs 2,360, table and other large knives 1,450, razors 790, pocket knives 540, and sword cutlery 410. Each section appoints two delegates if its membership is less than 200, and three if it exceeds that number. These delegates elect an executive of nine persons. When a dispute arises it is the duty of the executive to obtain full information as to its origin, the demands that are put forward, the number likely to be affected, the proportion of organised and of unorganised workers, the state of trade, and all other material circumstances, and report to the next meeting of the delegates; these may ratify a strike or boycott by a vote of not less than two-thirds of the number present. The contributions paid by the members are at the rate of 50 pfg. a week for those over sixteen years of age, and 20 pfg. a week for apprentices. Every master workman who employs a journeyman or apprentice is responsible for his contributions as well as his own. The benefits are as follows:—

Strike Pay.—Members over eighteen years of age draw 12s. a week, or if married 15s. a week and 1s. 6d. for each child under fourteen years, up to a maximum of 21s. a week. Apprentices receive 6s. when fourteen years old, increasing by 8s. for each additional year of age.

Out of Work Pay.—Subject to six months' continuous membership, members over eighteen years of age receive 10s. a week, under that age 4s. a week. Married members receive in addition 1s. a week for each child, up to a maximum benefit of 14s. a week. The benefit takes effect from the seventh day of unemployment, and is limited to six weeks' duration in one year.

Sick Pay.—Subject to one year's continuous membership adult members receive 6s. a week, commencing with the second week of sickness. This benefit is limited to twenty-six weeks' duration in any year.

The effectiveness of the federation is shown by the mutual helpfulness of the branches to one another, the well-organised sections taking the part of the weaker, and refusing to work for an employer who evades the agreed scale. In this way the maintenance of the established price-list is secured even in the case of unorganised employers and workmen. The employers' associations also support the policy of making the price-list universal, and put pressure on the Unions to secure recognition of the lists by those employers who are outside the associations, these being for the most part small masters and merchants who are trying to undersell the large houses by paying low wages. In 1906 the Flat-tanged-knife Cutlers, one of the worst situated branches, secured the consent of the Table Knife Manufacturers' Association to an increased scale of prices to take effect on January 1st, 1907. The assistance of the Table Knife Grinders' Union was invoked in order to secure the adherence of the 160 employers who stood aloof from the Association. One firm, however, refused to recognise the list, and thirty outworking cutlers who had worked for the firm for decades went on strike. The inworking cutlers belonged to the Metal Workers' Federation, which refused to recognise the dispute. The inworkers, however, refused the terms offered by the firm, and both the grinders and cutlers went on strike before a settlement could be reached.

In another instance a small but well-organised branch, the Scissor Finishers, came to the assistance of the large and powerful body of Scissor Grinders. The latter had been unable to secure the recognition of a new price-list by certain of the firms standing outside the Scissor Manufacturers' Association, and in one case the dispute had lasted thirty-two years. The small but compact body of Scissor Finishers were able to bring the recalcitrant firm into line, and so terminate the long-standing quarrel in 1907.

A good example of an old exclusive craft is found in the highly skilled occupation of sword hardening, in which three families, all outworkers, enjoy a complete hereditary monopoly. All attempts to supplant them by training workers in the factories have hitherto failed.

Another interesting feature of the Solingen organisation is the prevalence of the time-honoured practice of insisting on the repayment by employers of any deficiencies of wages due to evasion of the wage scale which is proved against them. This is effected by the agency of the Conciliation Boards. During 1907 a total amount of £450 was received by the local federation from this

source, one employer alone having to pay £90. This money is used by the Unions for the relief of necessitous workers.

Though not all the groups of workers are equally strongly organised, more than a score of craft organisations have now their own printed and ratified price-lists, and even where the organisation is most defective the federation is able to secure a fair measure of uniformity. In every branch stress is laid on the policy of discouraging the worker from becoming an employer with a handful of men working with him, though he is given every assistance in maintaining and improving his status as a *bona fide* workman. With this object there is one regulation which is most rigorously insisted on, namely, the one which prescribes that no master workman may employ more than one journeyman and one apprentice at the same time. This same rule, as we have already seen, was enforced by the Guild Ordinances in the sixteenth century. Thus regarded as a whole the position of the workers is exceptionally favourable, and it is not surprising to find that they present a fine body of men, remarkable alike for their prosperous industry, high intelligence, and sturdy independence.

The fact that development of factory organisation has gone on concurrently with the creation of the labour organisation above described proves that the older crafts can prosper in the new circumstances of the industry. Indeed, it may well be that the concentration that has taken place has itself been a factor favourable to efficient organisation. Though the transition to the factory system of production will run its course, it cannot be expected that the trade will for a long time to come be completely subservient to a machine process. The immense variety of products in each branch of the trade makes it very difficult to standardise patterns or to adapt automatic machinery. A single forge may, for instance, have to deal with as many as 2,000 different patterns of pocket knife blades. Again, in the grinding department the whole of the work except for some mechanical grinding of razors and table-knives is dependent on delicate manual skill, and the variability of the consistency of both steel and stone makes the problem of automatic grinding doubly baffling. Apart from these difficulties no method of machine grinding has yet been devised which can give a cutting edge to an article, and thus the finishing at least must be done by hand. So long as handwork survives the system of outwork is likely to continue. The importance of diffused electric power in this connection has been already noticed, and its influence in counteracting the tendency to concentration. A further

condition essential to the prevalence of outwork must not be overlooked; this is the necessity of giving close attention to the improvement of technique and to the thorough training of apprentices. The former is encouraged in Solingen by the elaborately equipped "Fachschule," devoted exclusively to promoting the interests of the cutlery handicrafts, while the Industrial Code prescribes for all workers a compulsory term of apprenticeship ratified by written indentures. The period of service is determined by the rules of the individual Unions, and in most cases lasts for four years beginning with the fourteenth year of age, though in the case of razor grinding it is one year longer. It remains to be seen whether the comprehensive system of federated organisation which is now in operation will prove itself equal to the storm and stress of trade fluctuation. The Conciliation Boards are a spontaneous growth arising out of the special circumstances and needs of the industry, and thanks to the intelligence, patience, and good feeling which has prevailed on both sides have hitherto proved themselves a potent influence on the side of peace. Even the isolated cases in which they have failed to attain their object have only served to demonstrate their usefulness more completely.

The revised statutes of the Table-blade Grinders' Conciliation Board, which has been in operation since 1887, are here appended to serve as an example of the regulations which govern these bodies. A common Conciliation Board of the whole trade will shortly be established, and its rules, which are now under consideration, are expected to correspond closely to the following:—

"Statutes for the Conciliation Board between the Table-knife Manufacturers' Association and the Table-knife Grinders' Union in Solingen. Effective from March 1st, 1904.

"1. The list of prices and qualities is to be mutually established by the two organisations, and similarly with every alteration thereof.

"2. When either organisation regards as necessary an alteration of one or of all the prices, they must send written notification of the termination of the old price-list to the other party. Three months' notice must be given, during which time the new prices must be completely arranged; they will come into force one month after the expiration of this interval, unless both parties agree upon another date. Prices for descriptions which are not included in the list, as well as for sub-divided work, come into force three months after agreement is reached.

"The Grinders' Union, after the prices have been determined, must bring evidence within an agreed interval that the majority of the employers outside the Manufacturers' Association have declared

themselves willing to pay the same prices, and that the Union has taken the measures that are necessary to convince themselves that the obligations entered into by these employers are scrupulously carried out.

" 3. A Commission, consisting of five members appointed by each party, has been established under the name of ' Board of Conciliation ' to undertake the supervision of the punctual carrying out of all the regulations concerning the price-list, and to obviate such defects as may arise.

" 4. The members of both associations are bound to make the strict maintenance of the details as to prices and qualities established by agreement their first consideration. When a difference arises between an employer and his workmen, every effort must be made to effect a prompt settlement on the basis of the existing regulations. If such an understanding is not attained, the duty of trying to adjust the matter falls on the executive of the Grinders' Union. If a settlement is not arrived at even then, the matter will be placed in the hands of the Conciliation Board, whose decision is in every instance final. An appeal against the decision may be laid before the General Meeting of the association concerned.

" To secure more effective control every employer must supply his grinders with wage-books.

" 5. The members of both associations are bound to submit their wage-books to the executive of their own association on demand.

" 6. Wage deficiencies which come to light through the control exercised by the Grinders' Union must be adjusted by the Executive of the Union with the employer concerned, in cases in which a memorandum relating to the point at issue has remained on the delivery note, and no notice has been taken of it by the employer. On the definite refusal of the employer to settle the matter, it must be immediately placed in the hands of the Conciliation Board, which must decide the question. Any member against whom complaints are made is bound to appear before the Conciliation Board, or to be represented; otherwise the matter will go by default.

" 7. Wage deficiencies which the grinder himself reports to his Union within one month will be repaid to him after the settlement. Deficiencies of longer standing are paid into the funds of the Conciliation Board.

" 8. Deficiencies, the settlement of which falls upon the Conciliation Board, must be notified to them within six months, and must be settled by them within three months after the notification. The Board has, however, the right to extend the period for settlement in cases where difficulty arises.

" 9. If a grinder is proved to have worked for less than the list price, he must, on the application of the Union, be refused work by the members of the Manufacturers' Association until he has fulfilled the conditions imposed upon him by the Conciliation Board.

" If an employer be shown to have had grinding done below the

list price, and refuses to comply with the conditions imposed upon him by the Conciliation Board, then, on the application of the Manufacturers' Association, no member of the Grinders' Union may work for him until he fulfils his obligations.

" 10. Neither association is authorised to take any steps against a member of the other association without the authority of the Conciliation Board. No publication in the Press of the names of members of the associations who are opposed to one another may take place in any circumstances.

" 11. Members of the Manufacturers' Association are bound, on the decision of the Conciliation Board (when the Board regards it as absolutely necessary) to lay their books relating to the dispute in question before the Presidents of both the associations concerned.

" 12. Should an employer apply for admission to the Manufacturers' Association, the first step must be to give notice to the Grinders' Union. If the Union does not inform the Manufacturers' Association within two weeks of any complaints against the employer in question, he may be admitted to membership.

" 13. Moneys accruing to the funds of the Conciliation Board will be devoted to the support of necessitous grinders, by resolution of the Board.

" 14. The right of making alterations and additions to the above agreement is reserved."

G. I. H. LLOYD

APPRECIATIONS OF MATHEMATICAL THEORIES.

III.

CONTINUING my retrospective survey of mathematical papers contributed to the *ECONOMIC JOURNAL*,¹ I come to Mr. Bickerdike's article on the "Theory of Incipient Taxes," published December, 1906. The article should be read with Mr. Bickerdike's review of Professor Pigou's *Protective and Preferential Import Duties*, with Professor Pigou's remarks on that review, and Mr. Bickerdike's rejoinder.²

Mr. Bickerdike has accomplished a wonderful feat. He has said something new about Protection. The novelty is perhaps not conspicuous in the first of the two propositions which constitute his thesis:—"That in pure theory advantage is always possible in normal circumstances from either import or export taxation when the taxes are small enough."³ This may seem at first sight to be a repetition of the doctrine which Mill and Sidgwick and Professor Nicholson have made familiar: that under certain circumstances a country may benefit itself at the expense of the foreigner by a customs duty. But it will be found that Mr. Bickerdike adds to our knowledge of the circumstances. He predicates advantageousness of a new class, "incipient"—or small finite—taxes. There is novelty also in his second proposition:—"In the case of incipient import taxes, the tendency to advantage is greater the more elastic the demand of the taxing country for the articles taxed." That demand, it is explained in the context, is more elastic when there is an untaxed home supply, that is, when the tax is protective. This is a division very different from Mill's, which expresses a generally received view:—"Duties on importation may be divided into two classes,

¹ See *ECONOMIC JOURNAL*, Vol. XVII. p. 221 and p. 524.

² See *ECONOMIC JOURNAL*, Vol. XVII. pp. 98, 289, 583.

³ The words which follow in the original, "except in one peculiar and unlikely case," are here omitted; for it will be argued in the sequel that this peculiar case is not merely unlikely but impossible.

those which have the effect of encouraging some particular branch of domestic industry, and those which have not. The former are purely mischievous both to the country imposing them and to those with whom it trades."¹ . . . "A protecting duty can never be a cause of gain, but always and necessarily of loss, to the country imposing it."²

Observing this contrast, the reader will perhaps modify his first impression, and, not denying that Mr. Bickerdike's doctrine is new, will begin to question whether it is true. But the appearance of extreme paradox will, I think, disappear upon further consideration. The opposition between Mill's received doctrine and Mr. Bickerdike's new thesis is not diametrical, as Mill was not adverting to the particular species of customs duties which Mr. Bickerdike characterises as "incipient." Mr. Bickerdike's second proposition, read with his first, is in keeping with the most recent results of the mathematical method applied to international trade. Thus Professor Pigou, in his *Protective and Preferential Import Duties*—published contemporaneously with Mr. Bickerdike's article—argues that in a certain case, which I might describe as that of an "incipient" tax,³ in Mr. Bickerdike's phrase, "the direct burden [incident to raising an assigned amount of revenue] under a protective can be proved smaller than that under a customs *plus* excise duty." He finds that "there is no general *a priori* presumption either for or against the imposition of protective duties as a means to raising revenue." "This conclusion," he observes, "is of course very different from the sweeping condemnation with which popular Free Trade theory envelops all proposals in any way tainted with Protection."⁴ I submit that free traders of the classical school have "the root of the matter," as Ricardo would say. In the balance of advantage they weigh the items of first magnitude. They "take care of the pounds." The pence which they neglect may as often occur on one side of the account as the other. But the balance would seldom be turned by taking account of the pence. Thus, on the one hand, it is little discredit to practical free trade that it neglects mathematical refinements; on the other hand, it is no presumption

¹ *Political Economy*, Book V. ch. iv. § 6, paragraph fifth from the end. Remote consequences such as the development of industries are not here in question.

² *Loc. cit.* antepenultimate paragraph.

³ Prof. Pigou's words, *loc. cit.* p. 31, are: "Where all second powers can be neglected, including the loss of the consumers' surplus on that part of the consumption which the tax destroys": as to which condition see below, p. 399.

⁴ *Loc. cit.* p. 32.

against Mr. Bickerdike's thesis that it appears unacceptable to free traders of the purely classical school.

As if addressing first those who are least disposed to accept his propositions, Mr. Bickerdike begins with an "attempt . . . to show, by general reasoning, that they are not opposed to common sense."¹ When he has gone as far as it is possible to go by the highway of purely verbal reasoning, he strikes into a track which is more arduous indeed, yet not unfamiliar, a mathematical method employed by Dr. Marshall in the *Principles of Economics*. When with the aid of this method our guide has come within sight of his conclusion, he makes for it by a direct path of his own construction. Let us follow him as he proceeds by these convenient stages.

I. *Pace* Aristotle,² a mathematician's appeal to common sense and ordinary probabilities is not inadmissible when he deals with applied mathematics and the application is to human affairs. Mr. Bickerdike's use of popular arguments would perhaps have been more persuasive if he could have found an illustration less quaint than the group of milkmen who are supposed to "agree that every time one of them sold milk he should make a contribution to a collective fund, in token of the fact that by putting his milk on the market he is doing something to lower the price of milk to the disadvantage of his fellows."³ But it is difficult to illustrate by domestic transactions the peculiarities of international trade. It has, indeed, in common with internal trade between non-competing groups, the essential attribute, exchange without mobility. But the *proprium* regional separation is attended with peculiarities that are hard to parallel. How else can we conceive as practicable that monopolistic power which a State exercises by its control of the transit over a boundary in space? Where else shall we observe the phenomenon of a level of prices in the transaction between members of a group raised or lowered by regulation of the transactions between members of the group and outsiders, some of the articles of which the price is thus affected being "non-exportable"?⁴

¹ ECONOMIC JOURNAL, Vol. XVI, *loc. cit.*

² *Ethics*, Book I. ch. 3.

³ ECONOMIC JOURNAL, Vol. XVI. p. 530.

⁴ As to the magnitude of this class the following opinion is expressed by Professor Taussig (in his article on "Wages and Prices in relation to International Trade," *Quarterly Journal of Economics*, August, 1906). "The quantity of such commodities is very great, and in all countries probably much exceeds that of commodities having a world range of price." For a different view see Marshall's *Principles of Economics*, Book V.

Whatever illustration is adopted, we must not expect to find any easy substitute for mathematical reasoning. It is very difficult, as Mr. Bickerdike observes, to give a convincing proof of his propositions by purely verbal reasoning. I have endeavoured, without success, to lighten the difficulty by following the usual method of illustrating problems in international trade, namely, constructing simple cases of such trade. It is worth while describing these tentatives in order to exhibit more clearly the points at which the new theory purports to be an advance on the classical doctrine. In order to minimise the difficulties connected with the use of money, I adopt Professor Nicholson's helpful conception, that of two countries whose mutual dealings are considered, one is large relatively to the other, so large that the level of general prices within that country is not disturbed by changes in the terms of international trade. If the theory in question—which has no connection with the relative size of the trading countries—cannot be proved by ordinary reasoning in this case, neither can it be so proved in general. Let the large country be "England" and the small one "Guernsey," these proper names being used, like Mill's "England" and "Germany," in a conventional sense abstracted from the actual facts of commercial geography. Let us begin by considering an extreme case, that in which one country has such a rigid sort of demand for the commodities imported from the other country, that, in Mill's phrase, "a certain quantity is all that is wanted at any price; and that when that quantity is obtained, no fall in the exchange value would induce other consumers to come forward, or those who are already supplied, to take more."¹ The conception implies, in virtue of the continuity attributable to laws of demand, that a small rise in the exchange value will not induce the consumer to take much less. We may refer the case to the third of Mill's "three possible varieties in the influence of cheapness or demand."² Or let us rearrange his three varieties so as to form two classes, E (elastic), "the demand increased more than the cheapness," and I (inelastic), "less than the cheapness"; the intermediate variety "as much as the cheapness" being treated as a mere limit. Then one of our countries possesses the attribute I in an extreme degree. Let the other country belong to Class E.³

¹ *Political Economy*, Book III., ch. xviii, § 2, second paragraph from the end.

² *Ibid.* § 5.

³ The case in which both countries belong to Class I is not adapted to popular

First let the home country, that is, the country imposing the tax, enjoy the property E. For example, let England have a rigid demand of the sort defined for the early vegetables imported from Guernsey, but not so Guernsey for the metals, hardware, and other miscellaneous articles which she imports from England; what would be the effect of an export duty imposed by Guernsey? England would continue to take the same amount of early vegetables at a money value augmented by the tax; and the balance of indebtedness could only be restored by her sending to Guernsey a larger quantity of her own products (the price of which by hypothesis remains constant).

Now let Guernsey impose an import—instead of an export—duty. The duty will tend to check the amount of imports, and therefore their money value (Guernsey belonging to Class E). But England must pay for her imports of early vegetables, of which she will continue to take the same amount even if she has to pay more for them. The balance will be settled by England sending a greater quantity of hardware, &c., in return for the same quantity of early vegetables. But since the greater quantity of hardware, &c., has a greater money value (prices of English products being constant), the same quantity of early vegetables must have a greater money value; the price of early vegetables must be higher. But the producers of early vegetables being supposed, in abstract theory, to be in industrial competition with the producers of all other articles in Guernsey, the prices of all other articles, and in particular of labour, in Guernsey must rise. In the new equilibrium the national income of Guernsey, both real and nominal, will be greater than before;¹ the Treasury will obtain a net gain.

Similarly it may be shown that if England belong to Class E, Guernsey to the extreme form of I, England, by imposing either an import or an export tax, may draw to herself, as Mill would say, the whole tax.

Now let us reverse the supposition, and, the other data being the same, suppose that the tax is imposed by the country which belongs to Class I. For example, let England, having a rigid demand for the early vegetables of Guernsey, impose an import tax thereon. The whole of the tax would be paid by the English consumer. The result is virtually the same if an export duty

illustration, as it presents difficulties which can hardly be removed without the use of mathematics.

¹ It may be supposed that Guernsey has no other foreign customers but England, as Mill at first supposes with respect to Germany, and that the tax is a general one on all imports from England.

is imposed by England, England still requiring the same amount of early vegetables. In exchange for that amount of vegetables Guernsey is willing to take the same amount of hardware, &c., as before. But the prices of exported hardware, &c., will rise by the full amount of the tax (the prices of these English products being constant in England). In the new state of equilibrium the level of general prices in Guernsey will be higher than before. But Guernsey will derive no advantage from this circumstance, since the prices of the articles in her international market have risen in a corresponding degree.¹ The English consumers pay more money for the same amount of vegetables as before. The English Treasury gains as much as the consumer loses. England, as a whole, neither gains nor loses, abstraction being made of the *friction* incidental to manipulation of tariffs.

It might be expected that the proposition thus easily proved for a species of Class I could be extended to the class generally. But, as we recede from the limiting case of rigid demand, there becomes sensible an item which baffles the estimate of advantage to the taxing country, namely, the privation of those who are deterred from consuming the taxed commodity in consequence of the rise in its price.

Nor is the matter any clearer in the case which Mr. Bickerdike seems to regard as typical,² where both the countries belong to Class E, each having an extensible demand for the products of the other. It is evident certainly that the reduction of consumption consequent upon taxation involves privation to the consumer. It may be argued that a country which by a customs duty limits its supply to the foreigner obtains thereby some advantage. But is it visible to the eye of ordinary reason, unaided by mathematical instruments, that for taxes not exceeding a certain magnitude this gain exceeds that loss? Of course, the duty may be so high that, in Mill's words, "the trade and its advantage would cease entirely." The disadvantage certainly preponderates for very heavy taxes; but where is the proof that as we pass from heavy to light and ultimately nominal duties, the gain to the Treasury by the foreigners' contribution exceeds the loss in the way of privation to the consumer? Common sense and ordinary economics can discern nothing about a small tax except that it is small. "The only thing that can be said for it is that it is a very little tax,"³ as Lowe said about the registration duty

¹ On the supposition made in the last note.

² *Economic Journal*, Vol. XVI., *loc. cit.*

³ Hansard, April, 1869.

on corn, when proposing its abolition. Something more could be said for it on Mr. Bickerdike's theory. But we have hardly begun the proof of that theory while we confine ourselves to verbal reasoning. We have not even got so far as the candidate at an examination in Euclid who pleaded that, if he had not proved the propositions set by the examiner, at least he had made them seem probable.

II. Mr. Bickerdike advances much further by the use of a construction which he borrows from Dr. Marshall. As this construction was originally employed to illustrate the "pure theory of domestic values,"¹ so the case of international values

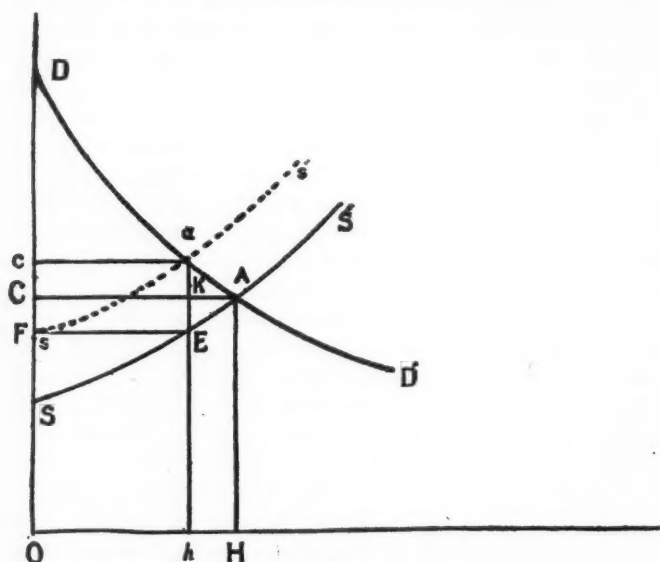


FIG. 1.

to which it may seem most appropriate is that which resembles domestic trade, in not requiring a change of price-level to be taken into account. Suppose, for instance, the "England" of the preceding section puts a small duty on the imports from "Guernsey," neither party urgently requiring to trade with the other. Let us begin with a supposition of this sort.

(A) It will be sufficient here to reproduce Dr. Marshall's diagram, and to refer the reader to Mr. Bickerdike's use of it in the *ECONOMIC JOURNAL*:² "Imagine that the tax is going to

¹ Pantaleoni, *Pure Economics* (translated by T. B. Bruce), p. 190.

² Vol. XVI. p. 533.

be spent for the benefit of the buyers. It is evident that they gain or lose on the whole, according as $CFEK$ is greater or less than AKa . If we imagine the tax to be made very small, $CFEK$ becomes a line, and AKa becomes a point, and there is, therefore, necessarily some advantage, provided that the supply curve SS' is not an absolutely horizontal line."

This reasoning will not commend itself to those who have learnt too well the formulæ of the classical text-books. The common or Cobdenite free trader will object that in consequence of the tax a certain quantity of the commodity will be produced under more unfavourable conditions than before, industry will have been diverted from its "natural" course into less productive channels. If he condescends to look at a diagram, he will fasten attention on hH , the amount by which importation is reduced, and triumphantly demand how the deficiency can be made good by the home producer without resorting to inferior methods of production. Nor is it easy to answer this objection without recourse to the theory of "margins." But it ought to be intelligible to those who understand that theory that, as the marginal workman and the marginal dose of capital are only just worth applying, so an additional workman an additional dose of capital, in excess of the margin of profitableness, are only just not worth applying. Now the added quantity of home production, a quantity of the same order as the amount by which importation is diminished, may be considered as the product of marginal doses of productive force; corresponding to an amount of profit which is small comparatively, compared with the tribute levied from the foreigner.

To the mathematician, of course, the principle that quantities of the second order may be neglected in comparison with those of the first order presents no novelty. But he is apt hastily to conclude that the whole theory, being *de minimis*, may for practical purposes be neglected. It may be well, therefore, to exhibit the character of the reasoning at some length.

Mr. Bickerdike's theory involves an important principle in that branch of mathematics which is most applicable to human affairs, the Calculus of Probabilities grafted on the Calculus of Variations. The principle may be enunciated with sufficient accuracy as follows:—When a variable magnitude is in the neighbourhood of a maximum, the increment of that variable corresponding to a small finite increment of a variable on which it depends is likely to be particularly small.¹ A familiar example

¹ More exactly: if y is a variable depending on x , both variables being positive, and when $x=x_0$, y has a maximum value, viz. y_0 ; then commonly and

is afforded by the length of the day as dependent on the time of the year. In Whitaker's Almanack you find that, day after day for eight days in the neighbourhood of the summer solstice, there is no change in the length of the day measured by the interval between the time of the sun's rising and that of his setting; while in other months there is a difference of two or three minutes from day to day. More precise astronomical examples of the principle may be found in the Nautical Almanack. Here the following homely illustration may suffice. Let there be a flight of steps shaped like an arch—as an iron bridge is sometimes constructed. If the steps are all of the same length, the height becomes smaller as the summit is approached. Say the radius of the (circular) arch is thirty feet, and the (horizontal) length of each step is a foot; then the (vertical) height of the step nearest the summit, will be about a fifth of an inch; at a lower point, where the slope of the arch is 30° , the vertical height of a step will be more than half a foot; it is a whole foot where the slope of the arch is 45° .

The principle may well be of importance in utilitarian philosophy in cases where the very best is the enemy of the very good. The economic application of the principle takes the following form:—A *small* change of an economic variable quantity at the margin¹ commonly causes a *very small* change in the corresponding surplus. As we are concerned here both with Consumers' and Producers' surplus, we may take an example from a species of the latter class, the profits of a monopolist. The numerical instances given by Cournot² at the end of his chapter on monopoly will serve our purpose; for, as he framed them, *aliud agens*, they may be regarded as random specimens with respect to the present object. It is allowable also to substitute in his examples a tax for an increase in the cost of production.

In his first example the price of the article before the tax is 20 fcs., and the profits of the monopolist are the fortieth part of a sum designated by the symbol a ; say, profits = 25,000 fcs., probably, a finite positive quantity a can be found, such that for any quantity a not greater than a

$$y_0 - y_{\Delta x} < y_a - y_0$$

where Δx is a small finite difference ($< a$); the ratio of the first member of this inequality to the second becoming smaller the smaller Δx and the greater a is; and this proposition may be extended *mutatis mutandis* to the cases of negative increments and of negative variables, to the case of several variables, to minimum values, and other cognate cases.

¹ As to the sense in which the term is here employed, see the article "Margin" in Palgrave's *Dictionary of Political Economy*.

² *Principes Mathématiques de la Théorie des Richesses*. Art. 34.

putting $a = 1,000,000$. According to the assigned relation between price and quantity demanded,¹ when a tax of 2 fcs. per unit of commodity is imposed, the price rises by a slightly greater amount, the new price being nearly 22.1 fcs.² The loss of profits due to this rise of price—irrespective of the tax, not taking into account that the loss is incurred to avoid a greater loss through the tax—is nearly 124 fcs.³ The same change of price at a distance from the point would produce a greater change in profits. A price of 30 fcs., for instance, would afford a profit of 23,077 fcs.; but a rise of 2.1 fcs. in the price will reduce the profits by some 636 fcs., greater than the loss of profits due to the rise of prices from 20 to 22.1, viz., 124 fcs. That loss is small compared with the proceeds of the tax, viz., 2,251 fcs.⁴ The disparity would be greater if the tax and the consequent change in price were less. For instance, let the tax be 0.2 fcs. The additions to the price will then be nearly 0.201. The loss of surplus due to this rise of price is 1.3 fcs.; while the yield of the tax is 247.5 fcs. Similar verifications may be obtained from Cournot's next example.⁵

A case of two variables is presented by an instance of monopoly which I have given elsewhere with a different object in view.⁶ The price of a first-class ticket for passengers on an imagined railway being £4 10s., for a third-class ticket £2 6s. 4½d. (nearly), a tax of 17s. 10½d. per ticket is put on first-class tickets. The consequent loss of profits to the company through the diversion of travellers from the first to the third class is £200. The yield of the tax is £16,009 12s., some eighty times greater than the loss of receipts. The disparity between the yield of the tax and the loss of receipts is much greater when the tax is smaller. When the tax is (a little more than) 2d. per first-class ticket, the loss of receipts is 1s. 8½d.⁷ The yield of the tax is £171 7s. 7d.; nearly two thousand greater than the loss of receipts.

What these illustrations illustrate is the probable smallness of that loss of surplus which is attributable to change of margins consequent on the tax, comparatively with the yield of the tax. But what we have to prove is that the loss of surplus is small

¹ $F(p) = \frac{a}{b^2 + p^2}$ where p is the price, $F(p)$ the amount demanded at the price; $b = 20$.

² More exactly $2 + 20 \times 1.00498756$. See the English translation, where an arithmetical mistake made by Cournot is corrected.

³ $1,000,000 [0.025 - 22.1/(400 + 22.1^2)]$.

⁴ $1,000,000 \times 2/(400 + 22.1^2)$.

⁵ It will be found convenient to assign the new price, and thence find the tax requisite to produce the rise of price.

⁶ *ECONOMIC JOURNAL*, Vol. IX. p. 290 *et seq.*

⁷ *Loc. cit.* p. 292.

comparatively with a part of the yield, namely, that part which is levied on the foreigner. For this conclusion there is required an additional premiss: that the proportion contributed by the foreigner is sensible, considerable as compared with the ratio of the lost surplus to the proceeds of the tax.

It follows as a corollary that the privation consequent on the imposition of Customs duties tends to be smaller with respect to (a) the proceeds of the taxation, (b) the portion of it contributed by the foreigner, the greater the number of objects over which the taxation is spread.¹

(B) So far the level of prices has been supposed undisturbed.² We go on to the general case, in which the change in the value of money within the home country cannot be neglected. Let us begin with a simple instance already adduced. England, having an urgent—perfectly inelastic—demand for goods imported from Guernsey, while Guernsey has not an urgent demand for English goods, Guernsey imposes a duty on imports from England.

In Fig. 1 the supply curve SS' now becomes a horizontal line, since by hypothesis the price of the English product is constant, the English producer being prepared to supply any amount (that Guernsey can want) at that price. When a tax of so much per cent., or, what comes to the same in this case, a specific tax, is imposed by Guernsey, the level of prices in Guernsey, as above shown, rises by the assigned percentage. A new demand-curve is formed by adding that percentage to each ordinate of the old demand-curve. This new demand-curve, say dd' (not shown in the Figure), may meet ss' , the supply-curve (now a line), raised to the extent of the tax, in a point which indicates that there is no loss of consumers' surplus, as if the consumers in Guernsey now take as great a quantity of hardware, &c., as before, and pay for it the same price in vegetables—if the expression is allowed—that they would have been willing to pay before, while their willingness to exchange vegetables for hardware, depending on the real relations between the supply of and the demand for things, is not affected by a change in the pecuniary measuring rod. There is then a net gain for the Guernsey Treasury.³

If the demand of England for early vegetables is not per-

¹ Proposition (a) was stated by me (with reference to taxation in general) in an article on the "Pure Theory of Taxation," *ECONOMIC JOURNAL*, Vol. VII. p. 568.

² See above, p. 398.

³ Some modification of these statements is required if it is conceived that the Treasury employs its new purchasing power in obtaining from England hardware, &c., to be distributed in Guernsey.

fectly elastic, we have no longer the datum that the level of prices in Guernsey will rise to the full extent of the tax. Still, it is easy to see that the theory holds in the neighbourhood of the limiting case which has been considered. Advancing from that limit, we may get far on the way to a general proof. We may get further by ascribing to the home country a currency peculiar to itself. But this is to take a leaf from that stricter demonstration for which this method is but a makeshift.¹

¹ Cf. Bickerdike, *ECONOMIC JOURNAL*, 1906, p. 535.

(To be continued.)

RAILWAY NATIONALISATION IN ITALY.

It would be a serious error of judgment if we were to liken the recent nationalisation of railways in Italy to an analogous action undertaken by a State in which the railways had been developed by the free initiative of private companies, as is the case in England, or in the United States of America. In Italy, from the time when Count Cavour, commencing at Piedmont, had the first main railroads constructed at the expense of the Treasury, the direct intervention of the State in railroad construction was made a tradition. In our country many lines have been constructed directly by the State, many have been handed over by way of concessions to private enterprise, with subsidies more or less considerable. Only a very few have been constructed by industrial companies at their own risk.

Nor could it well have been otherwise. Our railways call for a great outlay in their construction, the country being largely mountainous; they are very costly to keep up; they yield but scanty returns. Had a company undertaken at its own risk the whole of our railways (10,000 miles), it would, after an outlay on construction of 6,000 millions of lire, be receiving an annual revenue of about 400 millions, little more than enough to cover the working expenses. In fact, at the present day the railway debt constitutes, in the Budget, an annual burden of 200,000,000 lire. This, nevertheless, does not dissuade us from constructing new lines, convinced as we are that, without the sacrifices we have made to create an expanded railway system, we should not have been able to attain the economic advantages which our country to-day enjoys.

When on July 1st, 1905, the State took over the entire administration of the railways, it already owned 8,500 of the 10,000 miles of lines. There are only 1,500 miles of secondary lines in the hands of private companies. The contract made by the State in 1885 with three companies (the Adriatica, Mediterranea, and Sicula railways) was only a taking over of the working of the line. It was, in other words, a location contract,

an imitation of what then existed in Holland. Owner from that time of practically all the railways,¹ the State divided the gross railway returns with the conceding companies. The proportion received by the companies in compensation for the working expenses was 62·5 per cent., the State took 27·5 per cent., and the remaining 10 per cent. was devoted to certain reserve funds for providing fresh plant, for acquiring new rolling stock, for extraordinary repairs, &c. There were, however, several secondary pacts, by which a part of the share falling to the State was absorbed.

To compel the companies to issue a security, it was judged that they had acquired the rolling plant at 265,000,000 lire. On this sum, which subsequently swelled to 400 millions, the State paid interest to the companies. When the contract expired, the State took over the materials, paying the 400 millions. Hence, from the financial point of view, the conveyancing of the working of the railways has been of no importance whatever.

But what has induced the State, which in past time and with smaller lines administered them itself with poor results, to come round to this system? Let us briefly examine why.

The Conventions of 1885, which had been prepared with great care after an inquiry lasting over some years, had produced from one point of view useful results. The companies had improved the working of the lines and developed the traffic. But the contracts were so complicated that serious disputes between the State and the companies were inevitable. It had been provided so as to eliminate any doubt as to who should bear the burden of new works, that any outlay of this sort should be defrayed by the reserve fund of 10 per cent. of which I have spoken, but that, in case of diminished production, that title would be insufficient, and the State, as proprietor, would have to make good the deficiency. This, as was natural, did not come about without ructions and disputes.

To the public were conceded, at the Treasury's expense, reductions in rates, which the companies, devoted to their own interests, repudiated. This naturally infused a hostile feeling against the companies into public opinion, the more so in that the Government, although it had no contracting rights permitting it to concede ordinary reductions in the rates, upheld those reductions against the companies, were it but to gain popularity. Many questions of this kind were settled

¹ Special prices were accorded to the lines which were not yet owned by the State, and which have since been redeemed.

by way of the State grant, with which the companies had to be compensated to the amount of the difference between the rates established by the contract and the figure to which these had been reduced at the request of the Government.

But it is possible that these difficulties might have been met by modified treaties, rather than by choosing nationalisation (to which many of our most respected politicians and economists were stubbornly opposed), had not still more serious disputes arisen on account of the railway employees. When the latter demanded to the companies to be better paid, they took their stand on rights pre-existent to the Conventions of 1885. A large proportion of the instigators had been in the employ of the State administration, and the State could not repudiate their claims. Concessions were granted at the charge of the Treasury, but even they did not avail to prevent a strike, the effect of which was a resolution not to renew the contracts with the companies. It seemed, for that matter, that the employees, who were strongly opposed to private management and declared upholders of State control, would have desisted from agitation, and would, in any case, have felt the stronger rein of a higher authority.

I wish to add that, among political parties, the Liberals and, still more, the Socialists, declared in favour of State control; the public also wished for it, in the hope of their interests being better consulted by way of improved service and reduced rates. And generally it should not be forgotten that, in taking this step, our country has followed a tendency common, at the present time, to wide currents of public opinion in other countries. If we are not mistaken, the desire to withdraw the railways from private management, which seem to be an obstacle to the fruitful development of this indispensable means of economic progress, is becoming ever more intense and more extended.

From what has been said it will be understood that the State undertook its task without any serious preparations. The Bill instituting the transfer, and organising the new management in a provisional manner, became law only two months before the contracts expired. And for some years, during a reign of uncertainty, neither the companies nor the State had taken care to provide for the needs of the railways. No new works had been carried out at the stations; old materials had not been renewed; rules and regulations were neglected. It was a pitiful legacy that the State, without due preparation, entered upon July 1st 1905.

But meanwhile a period of contraction in Italy was followed by an extraordinary resumption of activity. The successful development of industrial production in the rich districts of Lombardy and Piedmont brought about a remarkable increase of traffic. The International Exhibition at Milan, held to celebrate the opening of the Simplon tunnel, attracted a great stream of travellers. It was only to be expected that the new State management of the railways would not be in a position to cope successfully with this unforeseen increase in demand. Through the hurried and various changes of office, the service became so disorganised as to give rise to a genuine crisis, which lasted from the last months of 1905 to the first months of 1907. Trains were much and continually behind time, and goods were not transported from the docks for lack of trucks. Practically all the chief stations, both in the interior and at the frontiers, suffered from congestion. The foreign Press, especially in England, whence come so many travellers to visit our fair country, drew attention to the abnormal condition of our railways. The public, at meetings and committees, rose against the railway administration, accusing it of incapacity, and suspecting finally the directors of being in league with the companies which, according to some, were holding themselves in readiness to renew the contracts with more favourable conditions once the State control had proved a failure. The bad service gave rise to a new word: "disservice" (*disservizio*), implying the general disorder in railway management.

To-day, the crisis over, we can afford to look back with serenity and judge dispassionately. We cannot in fairness put the inconveniences we have undergone down to the State. Even had the transition been inverted, that is, from State control to private management, an increase of traffic coinciding with the inevitable weakening in the administrative organisation, during the process of transformation, would have produced the same effects. For that matter everyone knows that a crisis in transport service has recently taken place in many European countries, and even in America. All railroad management has, more or less, been caught unawares by augmented traffic during the last few years, even though economic science has not remained ignorant of such periodical oscillations in the course of business.

But it behoves us to confess that this unfortunate coincidence has greatly injured the nascent institution. In a country like ours, with a Parliamentary constitution, State management of railways is liable to many dangers, and should properly have

been invested with some prestige in the eyes of the people from the very beginning. Instead of this, its want of success at the outset, however much this was explicable by external reasons, has caused many to doubt whether our country was ready for so important a reform. These doubts have been strengthened by the fact that the financial consequences in the first instance have been anything but satisfactory. No doubt a favourable Budget cannot be looked for from a period of crisis and disintegration. But many have noted a large increase of employees and a greater number of trains. These are the specific defects in State management, to wit, a facile conformity to demands for new plants and new commodities, with too little vigilance paid to the financial consequences. And this is because those who preside over the administration are not interested in good returns from the business. Pessimists see in these first results—to put it plainly—a tendency to what we may call idiomatically “gay finance” (*finanza allegra*). They fear its disastrous reaction on our national Budget, which may to-day be in stable condition, but which is always drawn fine, and hence susceptible to even slight variations in the distribution of expenditure. In a summary sketch like the present, which aims only at giving a general idea of the situation of our railways, I must needs be chary of figures. But for the benefit of readers who are fond of them, I append a few data on income and expenditure under private and under State management.

	1904-1905. ¹ (Private management.)	1906-1907. (State management.)
Income	Lire 848,265,275	Lire 430,910,776
Expenditure.....	„ 282,687,078	„ 380,140,183
Balance.....	„ 65,578,207	„ 50,770,593
Coefficient of management ...	0.81	0.88

¹ Our financial year is from July 1st to June 30th in the succeeding year.

It will be seen that, although the gross proceeds have increased, the net profit is diminished, because of a proportionate increase in the expenditure. The latter is largely due to increase in the staff. At the end of 1904, 105,692 persons were employed on our railways; on December 31st, 1906, these had been increased to 128,122.

A second table will serve to give an idea of the development of Italian railways in the last twenty years (the figures refer to every fifth year):—

Management during	Proceeds.	Increase.
1885-1886	Lire 207,922,670	—
1890-1891	„ 241,541,077	16 per cent.
1895-1896	„ 247,496,615	25 „
1900-1901	„ 294,855,234	19 „
1905-1906	„ 382,173,071	29 „

The quantity of goods transported amounting, in 1903, to 20 million tons, had, in 1907, risen to 30 millions.

These things being so, it is my opinion that no definitive judgment can as yet be arrived at respecting the State management of our railways, inasmuch as its commencement has taken place under entirely exceptional circumstances. But at the same time I maintain that, for a Parliamentary Government to carry on public works of such importance, is a task of consummate difficulty, and one that calls for exceptional discretion. If that State management shall succeed in establishing and organising itself, we shall have the right to say that our country has won a great victory. But to-day we have yet a long way to go.

One thing worth studying in a State system of railway management is the creation of the administrative staff responsible for that management. I will therefore briefly describe how we have constituted our railway executive administration.

We have devoted our attention chiefly to autonomy of administration, whether for the purpose of withdrawing the latter from political interference, or in order to free it from all those fetters which, in our country, hamper and hinder State action. The Act of July 7th, 1907, in which the railway organisation is definitely formulated, entrusts the direction of the Executive to an Administrative Council, presided over by the Director General. This dignitary is independent of the Minister of Public Works, the latter having only the right of supervision of railways, but he retains, with respect to Parliament, the responsibility laid on him by the Constitution of the country. Hence the Minister may not order the appointment of a new train, or the carrying out of any works. He can only oppose his *veto* to a vote of the Council which may be contrary to the laws or to the interests of the State.

The Administrative Council is composed of eight councillors besides the Director General. Of the eight, two are selected from Government railway officials, three from the officials of other Government administrative bodies, the remaining three from citizens who have given proof of high technical or administrative capacity. The Councillors with their Director are appointed by royal ordinance; their tenure of office is incompatible with any kind of Parliamentary career; and, with the exception of the two first described, they may not hold office for a longer consecutive term than two years.

The duties of the Council are the regulation of the various

services, the discussion of finance, the adoption of undertakings and contracts, the authorisation of lawsuits or the sanctioning of transactions, the approving of conventions for industrial registration, exchange, and hire of rolling plant, services performed jointly with other companies, and the like ; the discussion of the organisation of the employees, of names, of exemptions, of serious penalties incurred by employees.

The Director General, who is the legal representative of the administration, may sanction undertakings and contracts of minor importance (incurring an outlay of not over 50,000 lire), where settlement is urgent.

The financial control of the exchequer (*Corte dei Conti*), according to our laws, is of a preventive character, that is to say, it should be exercised prior to an outlay being made. It has been restricted to cases where the outlay is upwards of 50,000 lire ; besides which other facilities have been effected in so far as concerns the provisions of contracts in purchasing goods or labour, which are surrounded by our " general laws " with minute stipulations.

There has nevertheless been instituted a *permanent Parliamentary Board of Vigilance*, consisting of six senators and six deputies from their respective Houses, who are charged with the control of the entire procedure, and especially of the financial measures of the executive.

There is, further, a *General Traffic Council*, on which are representatives of all public administrations interested in railways—the War Office, the Navy, the Post Office, and the Telegraphs, Agriculture and Commerce, Finance, Treasury—together with the Chambers of Commerce, the Agricultural Councils (*Comizi Agrari*), minor railways and tramways, and which is partly composed of six members selected from experts, technical or legal, in railway matters, besides representatives of the Press and of the railway staff. This Council is convened to judge respecting all questions of tariffs, such as raising or lowering prices, naming and classification of goods, or interpreting the conditions in the transport contract.

Such is the edifice, and it is well constructed. But we must wait and watch it at work for some years, before we can judge whether it answers really well. For my part I cannot believe that it will ever attain autonomy in a political sense. The Minister will always have a great moral authority over the Administrative Council. He knows that what he expresses as wishes will by them be accepted as commands. The day on which the Council

refuses to comply with some request of the public which is at variance with financial interests, and when the Minister, for political reasons, supports that request—on that day the Council should either submit itself or dismiss itself.

On the other hand, there will be, I believe, good play of the tendency to secure greater liberty for the Executive in outlay, enabling them to come up to commercial mobility and promptness, and to throw off the proverbial sluggishness of our State administration. As a fact they have already been able, with remarkable zeal, to provide for the construction of new stations, and to purchase new rolling stock, utilising the sum of 910 million lire, put at the disposal of the State railways by recent Acts of Parliament. As has been said above, railway traffic has greatly developed, and measures have been called for and made to place the railways in a position to meet the growing need. Parliament has not hesitated to make the necessary sacrifices with the full consent of the country.

I am not in a position to offer the reader a definite opinion on the situation, and trust this will not be accounted to me for unrighteousness. The railway problem is a stiff one for every nation, and should of necessity be yet stiffer for Italy, where railway making started late, and where every imaginable obstacle has been encountered, from those thrown in her way by a varied and mountainous Nature, down to others depending on the unequal distribution of traffic in districts where nevertheless equal treatment is desired. To all these it may be added that our administrative constitution is yet young, and hence not yet adept at equating the not always measurable exactions of the public with the requisite heed to the depth of the exchequer.

For the exchequer is the greatest difficulty in State control of railways. Never can we err on the side of excess in holding up this fact to the attention of our political governors, and of those of such countries as are desirous of superseding private management by a more direct national control.

Milan.

F. TAJANI

REVIEWS

Essentials of Economic Theory as Applied to Modern Problems of Industry and Public Policy. By John Bates Clark. (New York: The Macmillan Co., 1907. Crown 8vo. Pp. xiv., 566.)

STUDENTS of philosophy are tolerably familiar with an objection raised against their speculative inquiries by those who urge that, as every fresh system advanced in turn begins with criticism of the main points emphasised in the preceding system, and ends by laying stress on considerations previously ignored or underrated, the lapse of a period of time sufficient to allow of a full revolution of the wheel of thought will generally bring men back to the original point from which their intellectual journey started. The subtleties of metaphysics have, at any rate, been often subjected to this reproach; and the charge has received support from plausible, if not convincing, illustration, although the reply may have been returned that no later system is so completely identical with the earlier system it resembles as to be merely reproduction, and that it must constitute in some sense an advance on all that has gone before. We can conceive that impatient readers of the difficult but interesting volume now before us may arrive in haste at a conclusion similar to that advanced by such hostile critics of the periodic varieties of philosophic creeds, and that it will be found on closer scrutiny no less impossible to justify, at any rate to the full extent to which it has been put forward.

Such readers, we are sure, however hurried and perfunctory be their perusal, will not deny that the consecutive argument which Professor Clark pursues through many ramified developments is ably reasoned and persuasively presented. It would be strange indeed if so accomplished an economist, whose repute for nice discrimination and fine logic is established in his own country and elsewhere, had fallen in these respects below the exalted level of his previous book. The dialectical atmosphere in which

he had then moved was, it is true, rarefied; and the intellectual fare provided here might perhaps be "caviare to the vulgar." Of that book on the "Distribution of Wealth," the present volume is in a sense the promised sequel. It should, however, be noted that it is characterised expressly by the author as a "brief and provisional statement" of the "more general laws of progress," which he had intended to examine. In the earlier instalment of his work it will be remembered that he dealt with what he there described as those "static" problems which, he tells us in the Preface to this book, were the chief concern of the "Political Economy of the century following the publication of the *Wealth of Nations*." It was thus, he observes, that the older writers sought to discover and announce the "natural laws" of wages, interest, and value. He does not now complete his task; but he has endeavoured to "make a modest beginning" in the formulation of the contrasted laws of "Economic Dynamics." These the earlier economists hardly perceived; and, with the single conspicuous exception, to which he draws the notice of his readers, of Malthus writing upon "Population," they certainly did not endeavour to embody such conceptions in a consistent systematic scheme of economic theory. Yet these laws, he himself correctly states, are necessary to a completed system; for "industrial society is" now "going through an evolution which is transforming its structure and all its activities." To a preliminary essay in this fresh direction he accordingly devotes here his capacity and zeal; and even the unfriendly critics we have mentioned will, we think, be ready, if they be candid, to acknowledge the compelling force of the general reasoning of his book.

Nor, if they pay to the several chapters the close attention they require and deserve, will they fail to notice and appreciate differences, whether they be slight or more important, distinguishing the statement of particular economic theories here set forth from the form in which they have been usually expressed by previous writers, on this side, at any rate, of the Atlantic. But nevertheless they may possibly declare that the final conclusions reached by this most modern of American economists recall those so-called "economic harmonies" on which, many years ago, "orthodox" English teachers of the Ricardian school were wont complacently to dwell. If, therefore, they assert that a practical moral with which they have for a long time been familiar in old treatises reappears in this new book, dressed in the refined language of the minute development of nice theory, they will not, we suspect, be easily gainsaid.

For what is the main thesis of this fresh contribution to economic literature? Unless we have mistaken the whole purpose of the subtle and suggestive reasoning here employed it is the exhibition in varied situations of the beneficent effects of competition on society at large, and of the pernicious consequences which will inevitably ensue from serious or continuing hindrance of its potential or direct free action. In a perfect condition of affairs, as we understand, those "static laws," which Professor Clark expounded in his earlier volume, would be fully realised; and, to quote his very words, the "first purpose" of this later work is to "show the presence and dominance in the real world of the forces" which were there described. "Even while changes are examined the fact," he states, "is perceived that there are steadily at work forces, which, if change should cease, would make society conform to a certain imaginary static model." In that event the "profits" of the "entrepreneur," which our author uses in the sense now generally adopted by American writers to denote a "purely commercial gain, or a difference between what is paid for something and what is received for it," would wholly disappear. This "residual" element removed, which seems by contrast to be arbitrary in character and irregular in size, depending upon chance rather than on law, the remuneration of the other agents of production would, in Professor Clark's conception, harmonise with ethical ideals of distributive justice. For "every unit of labour would get what it produces—no more and no less." And "the interest on capital is," he declares, "fixed exactly in the same way as are the wages of labour"; for both wages and interest are determined "at the social margin of production." In other words, they "equal what labour and capital respectively can produce by adding themselves to the forces already at work in the general field of employment." In these ideas of the laws governing the shares falling to interest and wages, the American economist, it will be obvious, is in broad agreement with the more recent development of economic theory on this side of the Atlantic. But he goes, we imagine, somewhat further, although he is in accord with the trend of the latest American thought, in his general view of rent, or at least in his particular statement that the "true conception of rent is that of the specific addition which land makes to the product of other agents used in connection with it." Yet it will be noticed that the "formula" of rent, which he thus adopts, fits exactly into the general conception of an economic harmony. For rent is the "amount of product specifically attributable to the land." And thus, regarded from the standpoint

of ethical justice, no less than economic force, land, labour, and capital would seem to be placed on the same level, and rent, interest, and wages would correspond alike to the just remuneration due to these respective agents. So far as "statical laws" are concerned, the elaborate refinements of the nicest and most recent theory would accordingly bring us back under Professor Clark's firm guidance to something like the avowed position of the old orthodox economists of the straitest English school.

Nor does the application of his theory to modern problems of industry and public policy, which occupies the later chapters of his book, reveal any marked departure from this standpoint. The problems, to which he turns his attention here, are those connected with the growing power of trusts, with the regulation of railway rates, with the organisation of labour, with the protective tariff, and with the probable effects of currency changes. The treatment given to the last of these questions is, by comparison with that accorded to the others, somewhat slight; and in the matter of protection Professor Clark is sensibly affected by his American environment. For he combines with a reasoned objection to an "abnormal" quantity of protection the frank avowal that "it would be hard to deny" that much of the "increase in productive power, which the originators of the protective system anticipated, has been practically realised." He finds, indeed, a satisfactory solution for himself in the statement that "the static argument for free trade is unanswerable and the dynamic argument for protection, when intelligently expressed, is equally so," while the "two arguments do not meet and refute one another, but are mutually consistent." In this case, then, the contrast between "dynamic" conditions and "static" law is emphasised, and more weight perhaps is even given to the former than the latter in Professor Clark's own mind. Similarly, in his consideration of the functions of trade unions, and of the place of arbitration in industrial disputes, he allows the usefulness, and acknowledges the necessity, of "collective bargaining," and he holds indeed that an arbitration which would "establish rates" giving the workmen the benefit of every legitimate advantage, that collective bargaining would yield, would secure a close "conformity to the normal standard of wages." But in this instance his justification of such bargaining, and the arbitration which would take its place, rests essentially on his firm belief that unorganised labour will fail to obtain the remuneration to which it is entitled by a "static" standard. For wages should, he maintains, be regulated by the productivity of labour, and the individual unassisted labourer cannot reach this goal.

Accordingly, when he turns his close attention to the conduct of trusts, and to the regulation of railway rates, we are not surprised to find that he attributes the mischievous results which are discovered in existence in the actual world to the presence of monopoly, and to the corresponding absence of free competition. With no small acumen he points out the special circumstances which affect the settlement of transportation charges—such as the partial utilisation of railway plant, the exceptional importance of the fixed as contrasted with the variable expenses, and the powerful inducement offered to combination between competing undertakings; and with judicial and adroit discrimination he explains the remedial action which is alone possible in these particular conditons. But, in the case of trusts generally, he has no hesitation in recommending drastic action by the State. "Regulation of monopolies," he declares emphatically, "we must have; that is not a debatable question." Yet, after all, he contends that, though in the process, "we are forced to ride roughshod over *laissez-faire* theories, we do so in order to gain the end which those theories had in view, namely, a system actuated by the vivifying power of competition with all that that signifies of present and future good." It is, in his opinion, monopoly which "perverts" the forces of progress; and it is "potential competition" which will hold monopoly "firmly in check." Where accordingly competition is infirm or non-existent the interference of the State is imperatively required; but it is required to secure the very object which competition would produce if only it were free to act. To some critics this would surely seem a tame, while others might regard it as a trite, conclusion.

And so in the background of a "dynamic" society the "static" laws are ever present, according to Professor Clark's belief; and reformers' efforts should be addressed to the removal of that economic friction, hindering their action, which is found chiefly at the present day in the malign form of monopoly. The general changes which are going on, and taking shape in an increase of population, an accumulation of capital, an improvement of technical methods, and a more complete and elaborate organisation of productive establishments, would, he urges, work undoubtedly for good and not for evil, and would tend to the equitable enrichment of all classes, were these "static" laws given full sway. And he is careful to point out that some of these beneficent laws are in operation independently of the existence of society; for primitive man, living in "Crusoe-like" isolation from his fellows, would, he argues, be affected by the law, for instance,

of diminishing productivity. Such is his general thesis. It may appear not dissimilar in essential characteristics from the "economic harmonies" which entered so largely as a moulding force into the earlier conceptions of the orthodox economists of this country, but Professor Clark certainly contrives to place old theories in a new setting and to add fresh material to existing stores of economic reasoning and speculation. He rarely, if he ever, fails to stimulate the instructed reader to opportune reflection by the ingenious aperçus which he affords of new developments of subtle thought. He may conduct, indeed, to an old, old familiar standpoint; but he leads us there by an untravelled and by no means obvious route, where we have need at every turn of his strong impelling guiding hands.

L. L. PRICE

New Worlds for Old. By H. G. WELLS. Pp. v+355. (London: Constable, 1908.) 6s.

IN these days of the historical spirit no educated person imagines that existing institutions will last for ever. Change has gone on continuously in the past, and it is absurd to suppose that we have reached the end. Economic organisation especially changes so rapidly that it requires no elaborate investigation to detect considerable changes in the short period which carries a man from his first youth to middle age. Can we discover any general tendency in the changes of which we have read or which we have seen? Most of us who have thought about the subject at all believe that, at any rate, one great feature in recent changes has been the substitution of the conscious co-operation of large bodies of persons for the isolated action of individuals or small family groups each serving their own interests either directly or by way of exchange with other individuals and families. Most of us, too, believe that this feature is not a mere passing phase, but is destined to continue—we do not quite know how long. The facts are scarcely in dispute. What we quarrel about is the proper attitude to adopt towards this feature of change. Are we to regard it as progress leading in the future to (or towards) a glorious ideal, or as retrogression leading eventually to catastrophe or reaction? We have, of course, at least one other choice: we may take refuge in agnostic opportunism and say that we do not and cannot know the far future, but can decide what is best for the particular moment, and ought to be content with that, and not be biassed in our decisions by hopes or fears as to "what all this is leading to."

Mr. Wells takes the first of the three courses. He calls himself a Socialist, and wishes to convert others to Socialism. As might be expected, his sermon is more effective than most of those delivered by his party. Having more of the true historical spirit, he is ready to admit that the present is better than the past, and that in order that the future may be much better, it is necessary that the minds and bodies of men should be changed. He puts this improvement in the forefront instead of assuming that it will come about of itself if only we carry out certain changes in our arrangements with regard to the control of material things. I doubt, however, if he will make converts by the ten thousand. Though he has taken up modern weapons, he still encumbers himself heavily with the old. He cannot persuade himself to dispense altogether with the usual diatribes against profit-seekers and such-like bogeys of the ordinary Socialist. It is, I should say, a hopeless task to attempt to convert the ordinary anti-Socialist by these means. What is the use of trying to hold up "private enterprise" to odium because the South Eastern and Chatham Railway Companies serve the public badly *and* make no profits? The claim on behalf of the system is that it gives profits to people who do serve the public, and want of dividends to railway companies which manage badly is a point in its favour, not a point against it. What person of ordinary intelligence is likely to be affected by the cheap comparison suggested in the following passage:—

"Nobody who travels to London as I do regularly in the dirty, overcrowded carriages of the infrequent and unpunctual trains of the South Eastern Company, and who then transfers to the cleanly, speedy, frequent, in a word 'civilised,' electric cars of the London County Council, can fail to estimate the value and significance of this supersession of the private owner by the commonweal."

Did not electric tramways come from profit-ridden America? Is not the history of the way in which the introduction and improvement of tramways has been impeded by the "community" acting through the Law Courts, Parliament, town councils, towns' meetings, and plebiscites a thing of which any Socialist ought to be ashamed? The courts decided that tramways were a nuisance, and that local authorities could not allow them without Parliamentary sanction. Parliament put almost every imaginable obstacle except absolute prohibition in the way of local authorities or companies constructing them, and succeeded in making England the most backward country and London the most backward

town of any importance in the civilised world. "Speedy," says Mr. Wells! I observe that "as I do" in the passage quoted above refers only to the South Eastern. I cannot think that if Mr. Wells travelled regularly in the "L.C.C." (why not County of London?) cars he would say much about their speed. It is true that the extraordinary slowness is due to State regulation of speed and to an inefficient State police which allows every ill-conditioned carter to take half a minute off the time of a car (carrying perhaps 70 passengers), but these manifestations are the "commonweal" as much as the County Council. Again, the non-Socialist will scarcely refrain from scoffing when Mr. Wells promises him, or rather her, that in the Socialist Utopia she will get her wants satisfied in a State or municipal shop, "and if she does not like her service she will be able to criticise and remedy it, just as one can now criticise and remedy any inefficiency in one's local post office." I should say the general opinion is that the local post office (not including offices which are also private adventure shops) is the most unpleasant shop in the place to go into and the one which most wastes the time of its customers. Complaints to St. Martin's-le-Grand produce polite apologies, and nothing more.

Mr. Wells would have been more effective if he had not assumed the excellence of State service, had argued only that though it is still execrably bad, it certainly has improved, and can be much further improved. There are many things which we can trust Edward VII. to do for us tolerably which we should not have expected from Edward VI. There is no reason to suppose the process of improvement will not continue, and we may even hope to accelerate it greatly if we take in hand the education of officials, and perhaps even of legislators. While great things may thus be expected of corporate management in the future, there does not seem the same reason for expecting improvement in private enterprise. Profit-seeking works excellently where there is real competition, but as time goes on and the scale of businesses increases, the easy working of competition is more and more interfered with by aggregation and combination. Consider, for example, the English railway system. The management of each railway has been entrusted to a board of a dozen old gentlemen, who, though nominally elected by the shareholders, really perpetuate themselves by co-optation. A more absurd method of management could scarcely be devised. However (in spite of the unfortunate experience of the South Eastern corner in which Mr. Wells dwells), it has hitherto worked on the whole tolerably

well because people have been able to compare the performances of different companies, and to a very great extent to choose which of them they would employ to transport their persons and their goods. If the public, or that portion of it which has this choice, partially withdraw patronage from any line, the old gentlemen in charge of it get frightened, and pension off their manager, or even in extreme cases introduce "new blood" among themselves. But if by working agreements and amalgamations all possibility of choice is taken away and rivalry practically disappears, these boards of co-opted old gentlemen will become quite intolerable and inferior to a board appointed by politicians afraid of the House of Commons and the electors.

In two respects Mr. Wells seems insufficiently thorough. Firstly, he is, I think, too complacent with regard to inequality in distribution. It is doubtless true that no scheme for improving distribution would be satisfactory if it involved considerable diminution in production, but, all the same, there is an immense loss involved in a distribution as unequal as the present, and any scheme of reform which abolished or greatly diminished it might very well claim support on that ground. Secondly, Mr. Wells seems to admit too much when he allows private milliners and dressmakers to continue "under Socialism." When a woman wants a hat or a dress made, "then probably, for all that the world is under Socialism, she will have to go to private enterprise: a matter of taste and individuality such as dress cannot be managed in a wholesale way." As we get richer do not our wants become more and more largely "matters of taste and individuality"? Mr. Wells attempts to save his face by saying that he does not think the milliner "will make a trading profit, but only an artist's fee," but this only means that the customer is to buy the material from the store—a trumpery detail. If this kind of thing is to be admitted, I fail to see where the difference in principle between our present condition and that of "the world under Socialism" is to be found. Under Socialism all the people who minister to wants of taste and individuality—an ever-increasing proportion of the population—are apparently to struggle or compete for profit, or "artist's fees," if Mr. Wells prefers that term, much as at present. I suppose Mr. Wells would say that if they do not succeed they can obtain employment on the State railways or municipal tramways, or in some other service which does not require the satisfaction of various individual tastes; but this answer cannot be said to be different in principle from that which is made by the community at present. Even now the community

steps in where people cannot find work for themselves. No objection could be taken to the absence of a difference in principle if it were not that Mr. Wells professes to be contending for a principle.

I lay Mr. Wells' book down with the question : Why cannot present-day Socialists be a little more courageous? Nothing in economics is more certain than that the best distribution—the distribution which makes a given amount of produce go furthest—is distribution according to need. It is equally certain that a community with a perfectly organised system of corporate control could arrange production more economically than it is arranged or likely to be arranged by our present mixed system. What is the difficulty in supposing that, given sufficient time, the corporate organisation may become perfect enough to arrange all production and distribution?

EDWIN CANNAN

Socialism and Agriculture. By EDWARD CARPENTER, T. C. DYMOND, LIEUT.-COL. D. C. PEDDER, and the FABIAN SOCIETY. (London : Fifield. 6d. Cloth 1s.)

THIS booklet commences with a description of the economic condition of a single country parish by Mr. Edward Carpenter, which, to the town-dweller, who has never had an opportunity of studying country life, must come in the nature of a revelation. But to those of us who are close students of the rural problem and have spent most of our lives in the country, the information does not come as new but rather as commonplace. We can verify Mr. Carpenter's statement of fact from the condition of things in the vast majority of rural parishes of our own acquaintance. It is well, however, in these days of rush and scurry, that someone should try to arrest the attention of thoughtful people to the disastrous result to the rural population of the enclosure of common lands from 1760 onwards by the lords of the manors and the landed class. Ten millions of acres of land, over which for centuries previously the common people had rights and privileges, were lost, and in this one particular parish to which Mr. Carpenter refers, it appears that 2,650 acres were enclosed in 1820. The noble duke (the name has recently been associated with a fierce denunciation of Socialism) who happened to be the lord of the manor, took 1,998 acres as his share of the plunder, and, says Mr. Carpenter, "now to-day in this village there is not a little field or corner left, absolutely not a solitary acre out of all that vast domain, which was once for the people's use,

where the village boys can play their game of cricket." Mr. Carpenter might have added that on this lordly estate, if not in this particular parish, at this moment there seems an impossibility of meeting the demand for small holdings without using the compulsory powers conferred by the recent Act of Parliament. Mr. Carpenter says that one of the first things which ought to be taken up is this question of commons: "If ten million acres passed so easily from the public use into the exclusive hands of the landowners, surely there ought not to be much difficulty in passing it back again. These lands are still largely in the hands of the families to whom they were rewarded, and the transfer might perhaps be most fairly and reasonably effected by the very simple reversion to the public at the expiration of existing life interests in them." Why not?

The second chapter deals with the secret of rural depopulation by Lieut.-Col. D. C. Pedder. The writer gives great credit to the work done by Joseph Arch in establishing the Agricultural Labourers' Union, but not, I think, more than he deserves. There is, at the present time, a movement in Norfolk for the resuscitation of this Labourers' Union, and it is quite remarkable to see how the seed sown by Joseph Arch into what appeared at the time very stony ground has taken root. The spirit which he aroused in the Eastern Counties still exists, and is being again fanned into flames by some of his old lieutenants. Mr. Pedder gets to one of the secrets of rural depopulation when he touches the question of cottages being tied to the farms. Owing to the system of large farms the tied cottage has become, from the landowners' point of view, a necessity. He cannot let his farms without them, and therefore Mr. Pedder sums up the situation when he says: "The great farmer stops the way."

The third chapter, dealing with State aid for agriculture, by Mr. T. Dymond, gives a very interesting account of the position of agriculture in Hungary, where, with the exception of an insignificant minority, the whole population is directly or indirectly engaged on the land, 50 per cent. of whom are small holders. We have in Hungary an example of the dangers of State-aid. Here agriculturists are spoon-fed by the State to an alarming extent, and Mr. Dymond tells us that the English farmers who accompanied him on his visit to Hungary are not likely, after what they saw there, to ask the English Government to do more for agriculture. They are rather imbued with the idea that it is better to have too little State-aid than too much. Probably there is only one feature of the Hungarian land system that

we might adopt with advantage, and that is the formation of credit banks.

The final chapter lays down "a national policy" by the Fabian Society for the revival of agriculture, but I am glad to see the Society admits, at the end of the booklet, that "some of the proposals made in this tract have been adopted in the Allotments and Small Holdings Act, 1907." There are, however, other proposals that have still to be considered. They are: (1) Courts to fix wages in areas of proper size, probably county or county council areas. (2) County land courts to fix fair rents for tenancies of seven years, and to which disputes as to proper cultivation and compensation for improvements may be referred. Much can be said for these two proposals; and the Fabian Society have put their case certainly with clearness and conciseness. Given comfortable cottages provided by the local authorities, there is a strong case in favour of fixing wages by a properly constituted court. At the present time, as is pointed out, although the average weekly earnings of the agricultural labourer amount to 18s. 3d., there are many parts of rural England, and these not the least productive, where the rate of wages is considerably lower. As to the Land Courts for fixing rents, even the present Lord St. Aldwyn is stated to be in favour of fixing rents by valuation and not by competition. Competitive rents are a curse to agriculture. They result in a fluctuating land market, which is against the best interests of the State. The first result of the Allotment and Small Holdings Act, together with the successful agricultural season of 1907, has been to seriously appreciate land values and to unduly put up rents. Some portions of the Crown estate, which has, for the last half-century, let at about £1 per acre, is now being eagerly sought after by agriculturists at *double* that rent, and the result is that if the local authority succeed in obtaining such land for small holdings purposes they will have to go into the open market and pay a considerably increased rental. The Fabian proposal is that in each county council area a statutory agricultural committee should be created, composed of members of the county council and of all borough councils within its area, to fix rents. It is a proposal well worthy of serious consideration. The Fabian Society sees that this means "five and twenty years of resolute effort," and this little booklet will certainly do something to help land reformers on the path of progress. It should be largely advertised and its circulation encouraged. Its title, "Socialism and Agriculture," is well chosen and attractive.

R. WINFREY

India and the Empire. A Consideration of the Tariff Problem.
By M. DE P. WEBB. (Longmans, Green and Co., 1908.
3s. 6d. net.)

MR. WEBB is well known in the commercial world of India as President of the Karachi Chamber of Commerce and as one of the most energetic and wideawake men of business in that prosperous port; the book which he has just published was described by Lord Milner in the House of Lords, on May 20th, as one "which is from first to last one of the strongest pamphlets published in favour of preferential trade within the Empire." Here, then, we may reasonably look for a weighty and informed statement of the case for Tariff Reform in its relation to India, a statement undisfigured by those inaccuracies and vote-catching sophisms which make of current controversial literature such unprofitable reading. And Mr. Webb's book justifies the expectations raised; he is an ardent advocate of Preferential Trade, but he presents his case with fairness, so that even where we cannot agree with his conclusions we can still retain a respect for his opinions.

It was Sir Edward F. G. Law, the Finance Minister of India, who in 1903 outlined the Indian case for Tariff Reform; his Minute contained an analysis of the exports of India which threw a new light upon the Tariff problem, and Mr. Webb has been content in the main to develop and reinforce the arguments of Sir Edward Law. India's position with regard to a Tariff bargain is well known. The total import trade of India (exclusive of treasure) in 1906 was £78,000,000 sterling; of these imports 68·8 per cent. were of British, and 31·2 per cent. of foreign, origin. The value of the goods which India buys outside the Empire is therefore approximately £26,000,000. This is the volume of trade which India has to offer in a tariff bargain. On the other hand, Indian exports were in 1906-07 valued at £121,000,000, over 80 per cent. of which was comprised under the following ten heads:—Jute, cotton, rice, jute goods, hides and skins, seeds, cotton yarn and cloth, tea, opium, wheat and wheat flour. The bulk of these exports are raw materials which are admitted free of duty, not only in Great Britain, but in the countries with a high Protectionist tariff, and therefore, with the notable exception of tea, they cannot be greatly stimulated by changes in the Customs duties of Great Britain. It was for this reason that the Government of India declared in 1903 that though "India had

something though not very much to offer to the Empire she had very little to gain in return."

But it is contended that if India has very little to gain she has very much to lose by adopting a Preferential Tariff which may lead to reprisals from foreign countries and a Tariff War. This argument was effectively disposed of by Sir Edward Law, and Mr. Webb has strengthened the case by his examination of the different heads of the Indian export trade. Jute, cotton, rice, hides, and seeds, which constitute more than half the exports of India, form the raw materials of manufacturing industries, and no country can impose import duties upon them without seriously crippling those industries. This is particularly true of the raw materials which India exports, because they consist of articles of which India has either a monopoly, as in the case of jute, or of which she provides a considerable portion of the supply, as in the case of seeds, cotton, or hides. No country which is interested in working up these raw materials could afford to endanger the stability of her own industries by imposing restrictions upon their import, and it appears to the writer that Mr. Webb has established the proposition that India need not fear a tariff war of retaliation. This is as far as Sir Edward Law pressed the argument, though he did, by way of illustration, point out that India might even impose an *export* duty on certain of the commodities she ships to Germany without harm to herself. This hint is developed by Mr. Webb; he suggests the imposition of a preferential export duty so that the whole of the "mighty volume of the Indian export stream might be discharged within the limits of the British Empire." The effect of this duty either would be to give British and Indian manufacturers an advantage in production or would prove the means of extorting from rival nations the best terms of admission for British and Indian commodities. Mr. Webb devotes four chapters to examining the main heads of India's export trade with a view to showing the practicability and advantage of such an export duty. The suggestion is a novel one, but its application would have far-reaching consequences, which Mr. Webb has not discussed; he mentions that in 1905-06 26.9 per cent. of India's exports were taken by Great Britain, but he makes no mention of the ultimate destination of these commodities, a very considerable proportion of which are not employed in British manufactures, but are re-exported to foreign countries. From the Blue Book of 1907, Cd 3687, it appears that of £8,195,000 worth of raw jute imported into Great Britain only £5,187,000 worth is retained in this country. The following are

a few other Indian commodities which are re-exported on a considerable scale.

Article.	Imported.	Retained.
Rice and rice flour	£1,693,000	£939,000
Cotton (raw)	1,482,000	781,000
Lac	730,000	147,000
Hides	465,000	153,000
Goat skins	849,000	194,000
Wool	1,478,000	865,000

Clearly if success is to attend Mr. Webb's policy of securing to the Empire the advantage of working up India's raw products, an export duty in India will not suffice, but a similar duty must also be imposed in England, the effect of which would be to imperil seriously her position as an emporium of the world's trade; commerce may not be in Mr. Webb's eyes as important as manufacturing industries, but the loss of England's transit trade is surely a very big price indeed to pay for an advantage in a few manufactures.

The Tariff Reform movement has brought about a revision of many economic orthodoxies, and we must therefore be cautious in our condemnation of doctrines which are unfamiliar and certainly look rather queer. Such a doctrine is Mr. Webb's novel conception of education as an agency for creating new markets. "The vast sums spent by all modern nations on education are an example of State efforts that result in . . . increased wants and desires, increased demand. Translated into the language of trade this means new and expanding markets, the mainspring and source of all industrial prosperity." Surely this is to mistake the effect for the cause. If education increases the demand of a people it is because it heightens their industrial efficiency, increases their earnings, and so raises their effective demand for commodities which they have always desired but have not hitherto been able to afford. On whatever ground it is based, however, Mr. Webb's plea for a more generous endowment of education in India may be warmly welcomed, though he has made a curious slip in saying that at present not 2 per cent. of the population can read and write. The true figure is over 5 per cent., and if the males only are considered, who alone count in the matter of economic efficiency, the figure should be 10 per cent.

In his excursion into pure economics Mr. Webb has put into unfamiliar prominence *demand* as a factor of industrial prosperity, meaning that no industrial community can be prosperous which has not access to good markets. "Demand," says Mr. Webb, "is the mainspring of all wealth-productive effort," and in their

neglect of demand he detects the central error of the Free Traders. But surely the old economists always postulated the existence of demand, they assumed that land, labour and capital would be engaged in the production of goods that were actually wanted; it is not contended even by Mr. Webb that goods are created for which there is no demand. The question at issue is whether a demand should be artificially created and specifically whether the imposition of a protective duty is not an unnecessarily costly way of creating a demand. But questions of cost are repugnant to Mr. Webb; he condemns England for her worship of an "economic dogma of cheapness altogether unworthy in one so great," and even rebukes the Government of India for an "excessive caution hardly consistent with that strength and dignity which attach to an Empire of the wealth and power of Great and Greater Britain." Without disrespect to the Empire or even the Equator, we may surely demand that an economic policy should be judged by economic standards.

T. MORISON

The Fiscal Question. By A. BONAR LAW, M.P. *Five recent speeches by the author.* Pp. 134. (London: The National Review Office, 1908.) Price 1s. net.

Insular Free Trade, Theory and Experience. By RUSSELL REA, M.P. (Cobden Club Publications.) Pp. 68. (Caxton House, Westminster, 1908.) Price 6d.

THESE two little books can be confidently recommended to those who want a clear and concise statement of both sides of the fiscal question, or who wish to refresh their memories with regard to the principal points at issue between the advocates of Tariff Reform and their opponents. Mr. Bonar Law's five speeches were all delivered between March, 1907, and March of the present year, and Mr. Russell Rea's pamphlet is, as the prefatory note explains, a reprint of a lecture delivered in Birmingham in 1906, considerably extended, and brought up to date.

Mr. Bonar Law more than once points out that Tariff Reform means two things. It means taxation of foreign manufactures, and it means Preferential Trade within the Empire, and although he has a good deal to say on the question of taxing foreign manufactures, much the greater part of his speeches is devoted to the explanation of the advantages to be derived from Colonial Preference. Mr. Russell Rea, on the other hand, deals almost entirely with the arguments for and against Protection pure and simple,

and only touches here and there on the Imperial side of the fiscal question.

It is on our need for expanding markets that Mr. Bonar Law bases his main argument, both for the taxation of foreign manufactures and for Colonial Preference. In the speech delivered at Manchester, which is devoted almost entirely to pointing out the probable effects of Tariff Reform on the cotton trade, he says, on p. 25: "The power of production in Lancashire is being enormously increased, and I cannot see where the new demand is to be found that is to absorb that increased production. There are there, I think, the seeds of a great disaster." The importance of growing markets for our trade, both at home and abroad, is a point which, as it appears to us, is not sufficiently recognised by Mr. Russell Rea. He, we think, rightly maintains that "we are keeping as much as we can do of the trade of the world in good times" (p. 36). But with expanding markets might not good times become more lasting and periods of depression less frequent? The real question to be decided, however, is whether the taxation of foreign manufactures and Colonial Preference will bring with them all the beneficent results which are expected by Mr. Bonar Law. "Manufacturers," he says, "may be trusted to be the best judges of what is in their own interests, but surely it follows that if this change is in the interests of manufacturers it must also in the long run be in the interests of the men who work for the manufacturers. If it means a greater volume of business to manufacturers, it must mean a greater amount of employment for the workers" (p. 31). But does this necessarily follow? If the manufacturers in a single trade succeed in obtaining Protection, both they and those they employ will no doubt benefit, if the latter can secure their share of the higher prices which it will be possible to obtain. But as Protection is extended to other trades the tendency will be for this advantage to diminish, and the greater the number of trades which are protected, the less will be the gain of each. Even if it be granted that Protection, however widespread, must always be in the interests of the manufacturers and those who work for them, it does not follow that Protection would be to the advantage of the community as a whole. We find no mention of the consumer in any of Mr. Bonar Law's speeches, and he is altogether silent about the numerous persons who are engaged, not in producing goods, but in performing services whose products cannot be protected, and who would suffer rather than benefit by the change.

Again, with regard to Colonial Preference, is it so certain

as Mr. Bonar Law would have us believe that the Colonies will grant us a Preference which would lead to a great expansion of markets for our manufactures, except at a price which would be too high for us to pay? He recognises that the Colonies are determined to develop their manufactures, but thinks that for a long time there will be an enormous surplus which they must import from somewhere (pp. 50-52). This may be so, but the amount of our imports into the Colonies must largely depend upon the height of the tariff walls which the Colonial governments choose to erect against them. Mr. Bonar Law estimates that the extent of the changes brought about by the new Australian tariff "will not mean an increase of more than 50 per cent.," and he points out that the tariff is even then low as compared with those of other countries. Notwithstanding this, we are doubtful whether he is correct in thinking that "in the long run, the total volume of her [Australia's] imports is more likely to be increased than diminished" (p. 55). Mr. Russell Rea's view as to the possibility of our obtaining anything like a substantial preference from the Colonies is in such striking contrast to that of Mr. Bonar Law that it seems worth while to quote what he has to say on the subject. After pointing out that the English Tariff Reformer of the neo-German Nationalistic school does not take this kingdom as his economic unit, but that his unit is the Empire, he goes on to say: "The unit refuses to unify. The British Empire is a great fact, but, unfortunately, it is not an economic unit in the sense required for a 'National' economic policy. We have India practically a Free Trade country, with which we do as much trade as with Australia, Canada, and the South African Colonies put together, and we have these self-governing Colonies, each determined to work out its own national economic development in its own area, on the lines of strictly national—that is, Colonial—Protection. To speak quite frankly, I have at this moment more hope that Germany will find her new tariff insupportable, and relax it. I have far more hope, even an expectation, that the United States will extensively reform her tariff in the Free Trade direction than I have of a similar movement in any of our self-governing Colonies" (pp. 19, 20). Mr. Russell Rea, however, does not, we think, give sufficient prominence to the fact that Preference has already been granted to us by the self-governing Colonies, a fact which should not be ignored, although opinions may differ as to the actual amount of the benefit we have derived. Mr. Bonar Law regards this benefit as considerable, and constantly reminds his audiences of the concessions which we have

already obtained from the Colonies, and we think he is right when he says : " It is quite probable that the people of this country do not yet realise the material advantages of preferential trade, but this I am sure of—they do not desire to see this question settled without examination, they are not willing that the door should be closed once and for all on any theoretic grounds, but that if it is settled it should be settled after a careful examination of the practical advantages and disadvantages of the proposals " (p. 65).

There are several other points raised in these interesting speeches, which we should like to discuss, did space permit, such as the " dear-loaf bogey," small taxes on food as a means of binding the Empire more closely together, and of increasing supplies of wheat from the Colonies, also the effect of foreign trusts on our home market, a point which is just mentioned at the end of the last speech. With regard to taxes on food, Mr. Bonar Law's opponents will be sceptical, and some of his friends perhaps a little disappointed when they learn from him that " no one has ever proposed that there should be protective taxation of food in this country " (p. 46). There are other questions which are discussed in both the books under review about which the two authors reach widely different conclusions, *e.g.*, the difficult question of the comparative conditions of the working classes in England and Germany, the amount of unemployment in the two countries, the questions as to how far British exports are changing in character, and as to how far the industrial progress of some of the protectionist countries is to be set down to their tariffs.

Mr. Russell Rea's pamphlet, as has been said already, deals almost entirely with the arguments for and against Protection. He points out that " Adam Smith and Friedrich List each in his own day propounded his theory academically, and enforced it by purely deductive arguments, based on certain generally-admitted principles of human action. The recent fiscal controversy has rightly proceeded on entirely different lines—it has been in the main an attempt on both sides to reason by inductive process from the mass of available statistics and experience " (p. 54). It is by this kind of reasoning that he endeavours to show that free imports are still the best way of meeting hostile tariffs, and he adduces facts and figures in support of the three following propositions, *viz.* :—that we have the first call on the trade of the world, that we are keeping the best of the trade, and that we are keeping as much as we can do in good times. His remarks on the extent of our shipping, and the amount of employment

which it gives (pp. 48-50), are subjects upon which he is of course particularly well qualified to speak, and they deserve careful attention. Mr. Russell Rea is, we think, inclined to underrate some of the evils which are undoubtedly to be traced to our one-sided Free Trade, and the injury which foreign tariffs inflict upon our commerce, and he is also, perhaps, somewhat too optimistic with regard to the future, but, as he says, "one who believes in the truth, the present profit, and final triumph of Free Trade, must be an optimist" (p. 62). Mr. Bonar Law appears to us to suffer from the same fault—if it can be called a fault—for he believes that "Fiscal Reform is in itself the greatest of all Social Reforms, on which all other Social Reforms depend" (p. 55).

HENRY S. FURNISS

Le Marché à Terme de Bourse en Allemagne. Titre IV. de la Loi du 22 Juin, 1896. Étude juridique et économique.

JEAN LESCURE. Paris: Librairie de la Société du Recueil.
J. B. Sirey et du Journal du Palais. 1908. 8vo. 260 pp.

THE author of this book—which deals with the effects of the German Bourse Law of 1896 on time bargains in stocks and produce—combines, to an exceptional extent, the qualities of a learned and acute lawyer with those of a highly trained and perspicacious economist. The subject of his work is interesting, as it analyses the results of a somewhat unique experiment. The attempt of the German legislature to restrain and regulate commercial speculation has been the subject of much heated controversy between its promoters and its opponents; the impartial comment of a critic who has no personal concern in this controversy, and is so well equipped for his task as the author of the work now under review, is therefore doubly welcome. The German Imperial Statute of May 8th, 1908, by which the Bourse Law has been considerably modified, has, no doubt, for the moment put an end to the strife between the contending parties, but from the point of view of the student of economic problems the subject has not lost any of its interest.

The law of 1896 intended to serve two objects: (1) to prohibit time bargains on the public exchanges in certain classes of stocks and goods; (2) to prevent non-professional speculators from entering into any kind of time bargains on the Public Exchanges. The expression, "time bargains on the Public Exchanges" is here used as the equivalent of the German expression, "börsenmässige Termingeschäfte," which expres-

sion was specifically defined by the original statute as including any contract for the delivery of stocks or goods at a specified future time characterised by the following special condition: (1) time was required to be "of the essence" of the contract (which means that the contract was to be treated as broken, if it was not performed at the exact stipulated date); (2) the contract had to be made subject to general conditions imposed by the authorities of a Public Exchange; (3) the stocks or goods which were the subject-matter of the contract had to be stocks or goods in respect of which time bargains were officially quoted on the Public Exchange under the rules of which the bargain was made.

The following were the classes of stocks and goods as to which time bargains on the Public Exchanges were entirely prohibited by the law of 1896: (a) shares in mines and industrial undertakings; (b) shares in other undertakings having a capital of less than 20 million marks; (c) corn and flour and other similar goods; (d) such other classes of stocks or goods as the Federal Council might determine to include in the prohibited classes. Having regard to the far-reaching effects of the rules as to registration in respect of all time bargains on the Public Exchanges, the total prohibition of such bargains in specified classes of stocks and goods has been of comparatively small importance.

The exclusion of non-professional dealers from all kinds of time bargains on the Public Exchanges was to be brought about in the following manner. Bourse Registers were to be established throughout Germany, in which the names of all persons wishing to enter into time bargains on the Public Exchanges were required to be inscribed. No valid obligation was to be created by any time bargains on a Public Exchange unless both parties to such bargains were registered on a Bourse register, and all securities as well as all acknowledgments of indebtedness given in respect of any such bargain were to be of no effect. On the other hand, it was provided that in the case of both parties being inscribed on a Bourse register a time bargain coming within the definition referred to above was not to be invalidated on the ground that it was in the nature of a gaming contract. In this manner the gaming nature of a contract ceased to be pleaded as a ground of nullity in the case of time bargains on the Public Exchanges. If one of the parties to such a time bargain was not on the register, this fact was sufficient to invalidate the transaction, and it was unnecessary to prove that

it was of a gaming character; if, on the other hand, both parties were on the register, the fact that it was of a gaming character did not invalidate it. The object of these provisions was to induce all persons habitually transacting business of the nature described, either on their own behalf or as agents for others, to inscribe their names on the register and to avoid all dealings with unregistered persons.

The authors of the Statute of 1896 proceeded on the assumption that the diminution of risk in the case of dealings between registered persons would make the registers popular, but this assumption was erroneous. To use Mr. Lescure's words: "La spéculation a refusé une sécurité juridique, qu'elle achetait, disait-elle, au prix de son honneur et de sa considération. Le négociant, le financier, refusèrent de se faire inscrire sur un registre qui les ravalait aux yeux du public"; the number of entries as shown by the tables given by the author are quite insignificant.

In order to escape the consequences of non-registration various methods were adopted for transforming the transactions affected by the new law in a manner which, without altering their economic effect, would bring them outside of the definition quoted above. The Supreme Imperial Court at Leipzig, however, declined to be hampered by the letter of the Statute, and dealt with the transformed transactions in the same way as if they had been included in the definition. The result of this strict interpretation of the law was no doubt injurious from a moral point of view, as it enabled dishonest persons to pocket the profits on their time bargains and to avoid payment of their losses. This is admitted by Mr. Lescure, who quotes some very interesting recorded instances of such a course of conduct, but he is more sceptical with reference to the statements made by the opponents of the Bourse Law of 1896 alleging that this enactment has had disastrous effects on the economic life and financial position of the German nation, and that it has caused a material contraction of business and given rise to violent fluctuations in the prices which would have been avoided if the Public Exchanges had performed their proper functions. The figures given by the author show that between 1897 and 1900 no material contraction of business took place, and that the contraction which did take place since 1900 is due to a large extent to causes other than the provision of the Bourse Law. One of these causes is the concentration of business in the hands of trusts, syndicates, or other trade combinations, on which Mr. Lescure has some very interesting observations. He also maintains that the contraction of Stock

Exchange and Produce Exchange business is not necessarily a symptom of commercial and industrial decline.

While admitting the economic usefulness of speculation, he is of opinion that it is within the province of the State to regulate it and to prevent its abuses.

In the course of discussing the unfavourable effects which the attempt to suppress time bargains in wheat is alleged to have had on the fluctuations in prices, Mr. Lescure gives an interesting survey of these fluctuations, and also investigates the operation of the German system of import duties and export bounties, and of their influence on the German wheat markets. The author in this manner does not merely throw light on his immediate subject, but also gives a valuable insight into the development of various branches of German economic life.

The amended Bourse Law of 1908 will probably, on the whole, meet Mr. Lescure's views, as it seems better fitted to suppress illegitimate speculation, while removing some of the fetters imposed on legitimate operations by the law of 1896. The definition of "time bargains on the Public Exchanges" contained in the Act of 1896 has been dropped. It is now left to the free judgment of the Courts to determine what classes of time bargains are affected by the provisions of the Bourse Law. The prohibition as to time bargains on the Public Exchange in wheat, flour, and similar articles is maintained, but, in order to prevent the Courts from extending the operations from time bargains not intended to be affected by the Bourse Law, it is expressly declared that contracts for the delivery of wheat, flour, and similar articles are not to be deemed included in the prohibited time bargains if they are made subject to general conditions approved by the Federal Council and also conform to the following requirements:—

(a) One of the contracting parties must be a producer or transformer of goods of the same kind as the goods to which the contract refers or a trader or registered co-operative association whose business it is to purchase or sell wheat or flour or similar articles or to lend money on the security of any such articles;

(b) Time must not be made of the essence of the contract;

(c) Certain specified conditions as to the quality of the goods forming the subject of the bargain must be embodied into the contract.

The chief features of the new Act are the alteration of the test by which professional dealers are distinguished from outsiders and the modification as to the effect of time bargains in stocks

to which outsiders are parties. Registration in the Commercial Register has now taken the place of registration in the Bourse Registry. All persons or companies registered in the Commercial Register (excepting small traders), and certain other classes of persons and corporations (including retired traders and retired members of any Public Exchange), are now authorised dealers for the purposes of the Act. As all persons and companies who carry on business on a fairly large scale are necessarily inscribed in a commercial register, this means that every important trading firm or company is now included in the authorised dealers, and that only such persons are excluded who ought to abstain from speculative transactions. Time bargains on the Public Exchanges are, as a general rule, void as heretofore, unless both parties are authorised dealers; but an important modification arises as to time bargains in stocks, in the case of one of the parties being an authorised dealer and having obtained security for the performance of the bargain. In such a case the authorised dealer will in future be bound by the bargain; the other party will not be bound personally, but the security given by him will be operative.

It is generally hoped that the inconveniences created by the provisions of the Act of 1896 and the opportunities offered thereby to dishonest persons will now be obviated, without interference with the legitimate objects which that Act was intended to promote. Experience alone can prove whether this hope will be fulfilled. Perhaps in a few years Mr. Lescure, in a new edition of his book, will help us to examine the results of that experience.

ERNEST J. SCHUSTER

The Distribution of Ownership. By JOSEPH HARDING UNDERWOOD, Ph.D. (New York: The Columbia University Press. 1907. Pp. 219. Price \$1.50.)

THE title of this book is somewhat deceptive, as it leads the reader to expect an account of the division of property between different classes of owners, such as private individuals, partnerships, and incorporated companies on the one hand, and municipal corporations and the State on the other. As a matter of fact, such subjects are barely mentioned, and the largest part of the essay is devoted to a short review of the history of property from primitive times onward, and enters into the fields of political science and jurisprudence, rather than into that of economics.

Basing his account upon the leading authorities, Professor

Underwood traces the historical development of the rights and the limitations of ownership of slaves, of land, and of corporate property on the continent of Europe, in England, and in the United States, his treatment of the last country naturally being the most detailed. In a long chapter on the limitations of corporate ownership in the United States, mention is made of such diverse subjects as the tendency in many industries for ownership to be concentrated in a few hands, the taxation of industrial corporations, factory legislation, trade unions, profit sharing, and co-operative societies. About a page is devoted to municipal trading. The author points out that in the United States somewhat more than one-half of the town water-supplies and one-fifth of the electric light systems were municipal property in 1902. On the other hand, municipal tramways are almost unknown, and it is by no means exceptional to find towns in which the sewers are owned by private persons.

The subjects of the control of trusts and the regulation of railroad companies are treated at somewhat greater length, but hardly receive as much attention as might be expected, in view of the fact that these questions are very real ones in the United States at the present time. For an English reader the most important point to grasp is the constitutional difficulties raised by these questions. According to the United States Constitution, companies incorporated in one State of the Union are entitled to carry on business in every other State of the Union, which renders ineffective almost all efforts to control trusts by State legislation. At the same time, the construction placed upon another clause of the United States Constitution by the Supreme Court is such that federal legislation dealing with trusts, as for example the "Anti-trust" Act of 1890, is practically powerless. The most successful step taken by the Federal authorities has probably been the establishment of the Bureau of Corporations to investigate the business methods of "trusts," about which complaints have been made. At the present time, reports dealing with the oil trade and the beef trade have been published, and inquiries are being made into the tobacco and the steel industries.

Both the Federal and the State Governments have recently devoted considerable attention to regulating the railroad companies. The central authorities, acting principally through the Inter-State Commerce Commission, have sought to stop the preferential rates granted to large customers, and the secret rebates which these customers frequently obtained to the detriment of their smaller competitors. The State authorities have given

special attention to passenger fares, and have often of late attempted to impose a maximum fare of two cents a mile, instead of the three or four cents usually charged. As in the case of the control of trusts, Federal and State authorities have found the United States Constitution a considerable obstacle to their efforts, but this may change in time, as the Supreme Court, which is charged with the interpretation of the Constitution, is not bound by precedents.

In the final chapter Dr. Underwood discusses the ethics of ownership, and expresses the hope that there may be some redistribution of ownership in the future, so that the poor man can reasonably look forward to possessing a little property, sufficient at least to mitigate the worst evils of poverty, and that at the same time more limits may be imposed upon the power attached to wealth.

At the end of the book there is a long list of the authorities consulted by the author when writing this essay, which testifies to the thoroughness with which the work has been done. The writer has brought together, within a reasonably small space, a lot of interesting material, but the value of the book would have been enhanced had there been a good index, in addition to the analytical table of contents.

DOUGLAS KNOOP

Railway Corporations as Public Servants. By H. S. Haines.
(The Macmillan Co. Pp. 226. Price 6s. 6d. net.)

THE public nature of the services rendered by railways has long been recognised, and supplies the basis for the arguments in favour of railway nationalisation. Mr. Haines, however, is no believer in the alleged benefits of State ownership. On the contrary, he holds that all, and more than all, the benefits derivable from State ownership can be obtained under a system depending on private enterprise combined with efficient State control. The State control of the past comes in for very severe criticism, Mr. Haines summing up his position in the words, "Let us then not legislate against the railroads, but for them." That the railroad legislation of the United States in particular has usually taken the form of attacks on the railroads, there can be no denying. In fact, it has been too frequently "panic" legislation.

Whilst we cannot always agree with Mr. Haines's conclusions, it is due to him to recognise the impartiality with which he has

given instances of the abuse by some of the American railroads of the power vested in them. The remarkable series of transactions conducted by Mr. Harriman in connection with the Union Pacific R.R. are related in some detail. By a series of financial legerdemains Mr. Harriman has made the Union Pacific R.R. Company "either to be dominant or powerfully influential in 54,000 miles of railroad, being one-fourth of our (*U.S.A.*) total mileage, with 40 per cent. of its capital and 30 per cent. of its earnings." The power wielded by the president of this vast corporation is stated plainly to be greater than that of the President of the United States. The position built up has only been possible owing to misdirected and defective legislation.

It is not difficult to understand that the people of the United States have become alarmed at the vast power concentrated in the hands of a few railway magnates, and that many have reached the conclusion that State ownership is the only efficient remedy. Mr. Haines gives many reasons for considering this impracticable in the case of the United States. The vastness of the proposition, which would make 200,000 miles of railway and the 1,500,000 railway employees a department of the federal government, is in itself appalling! The debt of the United States would be increased by at least \$14,000,000,000, and the effect of this on the national finances is certainly a matter for serious consideration.

Mr. Haines does not, however, rest content with these facts. He considers also whether the conduct of the transportation will continue equally efficient, whether railway employment will continue to attract a like number of the "captains of industry," whether the public will be equally well served. The answers to these questions are certainly matters for argument, and we cannot always accept Mr. Haines's decisive negative. When, however, he considers the past control, and denounces the action of the State, which has consistently forbidden the railways to make peace with one another, and has forced them to fight until the weaker succumbed, we are quite at one with him.

The supporters of railway nationalisation will do well to read this book. From its pages they will be able to call much to support their position, but they will also find in its pages many of the arguments which they will be called upon to meet if they are to convince the country that State ownership is to be preferred to private enterprise.

W. T. STEPHENSON

The Nationalisation of Railways. By A. Emil Davies. (Adam and Charles Black. Pp. 125. Price 1s.)

THIS book is a poor effort to put forward the case for railway nationalisation. When it is compared with Mr. Pratt's "State Railways," which was reviewed in the December JOURNAL, the inevitable conclusion is reached that if Mr. Pratt was biased in favour of private ownership of railways, Mr. Davies is even more strongly biased in the reverse direction. The result is a piece of writing calculated to mislead the general public, and to make more careful readers wonder whether there is any case at all for the nationalisation of our English railways.

To take a single instance of the manner in which Mr. Davies handles his figures, on p. 15 the fact that 195 millions of pounds have been added to the capital owing to stock conversion, consolidation and division, is emphasised, but there is absolutely no reference to the amount of capital raised at a premium. In dealing with the question of capital, Mr. Davies might also have given some consideration to the difference in capital cost per route mile and per mile of single line. Many railways leading out of London have had to make four or more lines of rails for many miles out to meet the needs of the suburban and long-distance traffic, and it is absurd to treat these miles as exactly the same as the miles of line serving the country districts.

This misleading use of railway mileage shows that Mr. Davies either deliberately misrepresents the railways or is thoroughly ignorant of railways and railway working. Whichever be the truth he is clearly disqualified from being taken seriously.

When Mr. Davies attempts to discuss competition and co-operation between railways, he contradicts himself repeatedly. In one place he rates the railways soundly for wasteful competition, whilst in another he holds up the London, Brighton and South Coast Railway to ridicule because they have made an agreement to avoid competition at Eastbourne by sharing the profits from the traffic with another railway. Again, he pleads the advantages of single administration, and fails to appreciate that he is thereby making an indictment against the State control of the past rather than against the railways which have continually been prevented from joining hands and so abolishing competition. If Mr. Davies had studied the history of the union of the South Eastern and Chatham and Dover Railways, he would have realised how very difficult and expensive it has been for railways to obtain Parliamentary sanction to unite.

At the close of the book Mr. Davies gives the address of the Railway Nationalisation Society. That society will be well advised not to depend on the facts or arguments set out in this book for its case in favour of State ownership. That there are good arguments for State ownership there is no denying, but the arguments for and against nationalisation appear to be unknown to Mr. Davies.

W. T. STEPHENSON

Socialismus und Sociale Bewegung. By WERNER SOMBART. 6th edition. (Jena: Gustav Fischer, 1908. Pp. xi. + 395.)

PROFESSOR SOMBART has reissued in a new form his valuable work on "Socialism and the Social Movement." The plan of the book is similar to that of the original version, but it has greatly increased its contents since the publication of the edition which Mr. Atterbury translated into English ten years ago, and even since it was reviewed in this JOURNAL two years ago.

A portion of the early introduction describing Owen and the Utopian Socialists is now omitted, and the author concentrates his attention on a realistic representation—very solid and satisfying—of the existing conditions of actual Socialist parties, with a critical discussion of their tendencies. So rigorous is his self-restraint that it is only after the perusal of some three hundred pages of the work that any definite conception as to the writer's personal attitude towards the doctrines of Socialism begins to take form in his reader's mind. It is a valuable example of the objective treatment of controversial matter, touched with imagination and insight which prevent its becoming a mere photograph of actualities.

His treatment of Marx is typical of this judicial point of view. Marxism, he says in effect, represents "une orientation," an attitude of mind rather than a creed (to borrow a phrase recently applied to a very different sphere of thought). Though modern Socialism is permeated with it, it is Marxism with most of the doctrines of Marx omitted. Imperceptibly they have been undermined, as history has shown the falsity of the "doctrine of increasing misery," &c., until the followers of the would-be philosopher and economist opened their eyes at length to find his system, "like the campanile at Venice," in ruins before them. So far as theoretical calculations could assist them, Marx and Engels could claim to have discovered "the new star" which was the symbol of the social movement that they helped to shape;

but it was left to their successors actually to recognise it among the heavenly bodies. Although they were impracticable in their immediate recommendations (which were due to the revolutionary atmosphere of their youth and to the influence of those lower strata of society which they helped to become articulate), yet they bequeathed to modern Socialism its "realistic, historical, and evolutionary character;" its aim, collectivism; its weapon, the class-war. In practice, however, they involuntarily demonstrated the permanent gulf between science and Socialism, and the promulgation of their doctrines in their crudest form retarded the advance of the movement.

Herr Sombart holds firmly to the idea of the "class-war," toned down to suit a civilised society dimly conscious of its solidarity, and on this basis he insists on the "essential unity" in all countries of the trend of modern Socialist thought. The old revolutionary leaders—Bebel, Guesde, Hyndman—are no longer revolutionary in their immediate ideals; the reformists like Jaurès and Vandervelde are revolutionary in their adherence to the idea of the "class-war." The course of social evolution has brought the proletariat "inevitably" to the same stage of revolt against Capitalism, and by three roads—Parliamentary, Trade Union, and Co-operative action—its sections are advancing to the same goal. The differences which appear so large are differences only of tactics. After a detailed consideration of the progress of "the social movement" in America, and in the different countries of Europe, he concludes that the streams of proletarian thought are flowing in the same direction. "The working classes will never be 'contented' again," though the form of Socialism in which their discontent will express itself will not be revolutionary. Here, and in his pronouncement on the incompatibility in the future of political patriotism with international Socialism, the author modifies his attitude so far as to permit himself to look forward.

In an interesting chapter on the recent growth of "syndicalism" or revolutionary Trade Unionism in France and Italy, he criticises this recent break in the "trend towards unity," and points out the utter impracticability of its ideals. Nevertheless, he is inclined to rate it more seriously than do some of its chroniclers, though he characteristically declines to prophesy its future. If it succeeds in finally capturing the Trade Unions and in making its peace with co-operation, the effect will be serious on Socialism as a whole. For both Trade Unions and co-operative societies are the Socialist training-ground, "the elementary schools of Social-

ism" in its more reasonable forms. Their educational effect in the direction of moderation cannot be underestimated—witness their influence in England and Belgium respectively. Therefore he urges the history of the English social movement, "its excessive sobriety," and absence of "soul-stirrings" so characteristic of the nation, as an object-lesson to vehement Continental reformers, while at the same time he makes an eloquent plea for the restoration of ideals to rescue the Socialist movement from the materialism which threatens it.

C. V. BUTLER.

Continuation Schools in England and Elsewhere. Edited by M. E. SADLER. (Pp. xxvi—779. Manchester University Series.)

In this volume Mr. Sadler, with the help of various writers, surveys the whole field of continuation schools in this and other countries. The term "Continuation School" is a rather vague expression used to cover a great variety of forms of education, ranging from a two or three years' course at a technical day school down to a class in shorthand held in the evening for a single hour a week. But the presence of two characteristics gives unity and definiteness to an otherwise vague expression. As the name implies, the school represents something added to the Elementary School, and, secondly, the instruction has a more or less close relation to the occupation of the student.

In spite of the many years during which continuation schools of a kind have existed, the whole subject must still be regarded as in an experimental stage. Voluntary effort and State-supported classes go on side by side, and no connected system, at any rate in this country, can be said to exist. The value of the present work lies mainly in the comprehensive survey it takes of the many aspects of the problem. But, as in the other volumes for which the same editor is responsible, Mr. Sadler is not content to present a picture merely of existing conditions. He is equally anxious to explain the significance of the different developments by determining the general trend of events.

In spite of the variety of the subjects discussed and the number of authors responsible for the different chapters, there is an amount of agreement not always found among writers on social problems. Three conclusions will remain in the mind of the reader when he reaches the end of the volume. First, the State must assume a more or less active responsibility for the

technical training of those entering the trades and professions. Secondly, the limit of progress along existing lines has been reached. Thirdly, further progress can only be secured by introducing into the continuation schools the element of compulsory attendance.

With regard to the first, it is clear that the old system of apprenticeship has broken down. The industrial development of the last century, with its growth of huge factories and its minute subdivision of labour, has made impossible the all-round training which could once be obtained in the workshop. The various voluntary associations for encouraging apprenticeship which of late years have sprung up in considerable numbers, have recognised this fact by endeavouring to secure the attendance of the apprentices at trade classes held in technical institutes, while the more thoughtful employers have, in certain instances, made the attendance at such classes one of the conditions of apprenticeship.

It might be thought that the development of evening classes, or of courses of instruction, held during the day and attended by pupils with the leave of their employers, might meet the exigencies of the situation, but experience points to a different conclusion. On the most generous calculations "not more than one in five of the children in England and Wales regularly attend the continuation schools during the years immediately following the elementary day school courses," nor do the figures show much tendency to increase. A careful inquiry among teachers in evening schools leads to the conclusion that even these figures can only be maintained by allowing the recreative element to loom largely in the curriculum.

As regards attendance at day classes it is the very exceptional employer who allows his apprentices "time off" in order to take advantage of such institutions; while it is a small minority of employers who recruit their workshops, and who would therefore hope to gain any advantage from their better training. Finally, a very large number of boys and girls reach home too late or too tired to attend an evening school.

The great difficulty in the organisation of evening classes in town and country alike arises from the failure on the part of great numbers (it is to be feared the majority) of employers to recognise their responsibility towards the further education of the young persons in their employment. To this general failure of the sum of educational responsibility there have always been numerous and bright exceptions, and it would be unfair harshly to criticise the past in the light of the changed ideas of the present. . . . But the efforts of

the good employers must not lead us to overlook the failure of the bad ones. I have myself been led to the conclusion, which I submit to the consideration of the reader, that the most effective way of dealing with the difficulty will be to throw upon all employers by statute the duty of granting to those of their male and female work-people who are under eighteen years of age, the necessary time for attendance at continuation classes at hours prescribed by the by-laws of the local education authority. In addition to this, power should be given to make attendance at continuation schools, at hours not incompatible with the physical well-being of the pupils, compulsory for young people up to seventeen or eighteen years of age.

In this passage Mr. Sadler clearly expresses his opinion that it is necessary to introduce the element of compulsory attendance at continuation schools, if we desire to include the greater number of the children as they leave the elementary schools. To this point he returns again and again himself, while the other contributions to the volume add arguments in its favour.

This conclusion is undoubtedly the most important result of the study of continuation schools. If we leave this country and go to the Continent we can find such a system in actual operation. In Munich, for example, "compulsory instruction is given for at least eight hours per week." "There is no compulsory instruction after 7 p.m. An effort is being made to hold as many classes as possible during the day-time." In other parts of Germany and in Switzerland we likewise find a tendency to make attendance at continuation schools compulsory, and, what is no less important, to make that attendance compulsory during working hours rather than in the evening. Experience goes to show that a child is not fit, either mentally or physically, to take full advantage of instruction at the close of a long day's labour spent in the factory.

While Mr. Sadler is "convinced that in the end some form of compulsion to attend day or evening continuation classes between fourteen and seventeen years of age will be found desirable," he is of opinion "that we in England have still much to do before we shall be ready to use the weapon of compulsion so far as attendance at continuation schools is concerned." He would, therefore, deplore "prematurely invoking compulsion," and appears to regard it as a thing to be realised rather in the remote than in the near future.

It is more than doubtful whether he is not mistaken in this belief. There is good reason to believe that a rapid movement in this direction is setting in. The problem of the unemployed,

and, in particular, of the unemployable, is seen to have a close connection with the faulty training of the young. It is an open secret that the Poor Law Commission has amassed much evidence in support of this view, and it is not improbable that the report will contain a recommendation in favour of compulsion.

Now if compulsion is to come it is in every way desirable that it should come in a proper form. Mr. Sadler would leave considerable discretion to local education authorities; and while, of course, this is desirable, one might have wished that he had laid down a little more clearly the limits within which that discretion may be exercised. Two points are of fundamental importance. First, compulsion itself must not be made optional or it will rarely be exercised; and secondly, there must be compulsion during the day and not in the evening.

Is it too much to hope that we are on the eve of the inauguration of a new half-time system, where every young person, between the ages of fourteen and eighteen, must attend school, either in the morning or in the afternoon? Readers of the present valuable book will be driven to the conclusion that only in this way can the difficulties, there unfolded, be solved or the author's ideal of a continuation school be realised as a place which shall "inspire a sense of personal duty towards the community."

R. A. BRAY

The Stannaries: A Study of the English Tin Miner. By GEORGE RANDALL LEWIS, Ph.D. Harvard Economic Studies. 1908. Pp. xviii + 299. (Constable and Co. : London. Houghton, Mifflin and Co. : Boston and New York.)

IN spite of the vast mineral wealth of this country, and its exploitation from very early times, the history of the development and organisation of English mining has been hitherto almost neglected. The miner's status and conditions of life and work prior to 1800, which have been so carefully studied in Germany, have never attracted serious investigators in England. The book under review is therefore especially valuable, inasmuch as it deals with an unexplored field, and one of the highest importance in the national economy of the country.

A great merit of the book is that it treats of tin mining and the miner as part of the general development of mining both here and on the Continent. Hence we get frequent references to the English lead, iron and coal mines, as well as to German, French, and Belgian conditions, and we are thus enabled to see not only

in what respects English mining was peculiar, but also in what ways tin mining resembled or differed from the other forms of mining.

The book is also an important contribution to the history of English commerce. In the early middle ages, when England lay off the main stream of the world's trade, it was tin, lead, and wool which brought her into touch with the Continent and the greater civilisation it represented. Tin was a thing that was essential for the utensils of brass and pewter which were in general demand for household purposes. Foreigners came to this island to obtain tin, and they influenced the whole of English economic development. The country was found to be worth calling at and worth exploiting, and English commerce and resources were gradually developed by foreign skill and capital. Tin was one of the articles which purchased from Venetian and Genoese merchants the spices which helped for centuries to relieve the deadly monotony of the staple diet of salt beef.

From the very first tin formed one of the East India Company's important articles of trade, and through its agency the metal was carried to India, Persia, and Japan. This again was a circumstance of national importance, as the English had so few acceptable things to take to the East. The English heavy cloth was not a suitable product for Eastern markets, and the English merchants were at a great disadvantage as compared with the Dutch, whose linen was in great demand. Tin, however, helped to redress this inequality.

The nature of our chief exports has so completely changed during the eighteenth and nineteenth centuries that we are apt to forget that tin was one of the important bases on which our international trade has been built up.

In his account of the Stannaries, Mr. Lewis first of all describes the technical conditions which have prevailed in the tin industry from early times. He then deals with the external history of the tin trade, the shifting of the centre of the tin district from Devon to Cornwall, and the foreign trade in tin. This is followed by a chapter on early mining law. It seems that there were three kinds of mines in England—royal mines which belonged to the King, mines which belonged to the owners of the land, and free mines, to which latter class the tin mines in Devon and Cornwall belonged. In the case of free mines the tinner could freely search for and work tin wherever it might be suspected, regardless of the rights of the landlord. This was

called "bounding," and where it prevailed "it was open to the poorest villein to become his own master simply by laying out a claim and registering its boundaries in the proper court" (p. 35).

The position of the tin miner in regard to taxation is no less interesting than his roving right to dig and search for the metal. He paid taxes not as an Englishman, but as a miner. He did not pay any of the ordinary taxes, such as the tenth and fifteenth, but paid proportionately to the value of the tin mined. Hence the tin mines had a very effective means of securing redress from the monarch when they considered their rights invaded. They simply stopped mining, and the King got no revenue. We find accordingly that the tinnners' complaints were attended to with considerable promptitude.

The King had the right of pre-emption in regard to all the tin produced, a right which was sometimes utilised to prevent the tinnners being squeezed by the dealers as to price, and sometimes it was utilised by the King to corner tin on his own account.

Not merely was the tinner a man apart in matters of taxation : he also had a peculiar position as regards law and justice. He was simply not subject to the ordinary law of the land, but only to the laws of his own Stannaries Parliaments as administered in his own Stannaries Courts. These were organised as separate institutions in 1201 in Cornwall, and 1305 in Devon. The tin mines thus constituted an *imperium in imperio*, and have considerable constitutional as well as economic interest.

After tracing the development of the tinnners' privileges in regard to the administration of justice and taxation from early times down to the disappearance of this special jurisdiction in the nineteenth century, Mr. Lewis passes on to describe the changes which have taken place in the industrial organisation of the trade. The early and rapid development of capitalism in its various forms is described at length, but Mr. Lewis shows that even to-day the conditions prevailing in the Cornish tin mines are peculiar in many respects (p. 206).

A final chapter is devoted to a consideration of the methods of disposing of the tin, and to the abuses which have arisen in connection with the various systems of marketing.

The book is an excellent one, and well deserves the David A. Wells' prize which it gained in 1907. It is a valuable contribution to the constitutional and economic history of England.

L. KNOWLES

British Committees, Commissions, and Councils of Trade and Plantations, 1622-1675. By Professor CHARLES M. ANDREWS. (Johns Hopkins University Studies, XXVI., 1-3.) (Baltimore : Johns Hopkins Press, 1908.)

THOSE who attempt in future to learn something of English colonial and trade policy during the seventeenth century cannot be too grateful to Professor Andrews for his valuable monograph upon an obscure and hitherto neglected aspect of the subject. The story of colonial settlement and colonial government and customs, and the problems of colonial trade, are to some extent familiar. Now, for the first time, we get full details of the various experiments undertaken by the authorities in England for the supervision and management of domestic, foreign and colonial trade, and for the general oversight of the colonies, whose development during the second half of the seventeenth century was so intimately connected with commerce. It becomes abundantly clear that the amount of machinery devised for purposes of investigation and control was greater than has hitherto been assumed. The tangled relations of the various committees, sub-committees, councils and commissions, some temporary and some permanent, are simply bewildering, but the writer enables us to follow the different threads with comparative ease. Here, as in other respects, the evidence shows that the Council, whether called Privy Council, Council of State, or Protector's Council, realised its responsibilities. Either directly through its own Committees, or through bodies of experts, it endeavoured to cope with the new problems created by colonial settlement and colonial trade, while royal commissions were also instructed at times to investigate certain questions. The period of unparliamentary government is shown to be of some interest as marking the creation of the first Privy Council Committee of Trade which had any claim to permanence, and to it all matters connected with trade were referred throughout the decade, while temporary bodies were appointed to deal with plantation affairs. The most important of the latter, the Commission for Foreign Plantations, called also the Laud Commission, sat for seven years (1634-41), but though possessed of extensive powers it accomplished little, and many questions were submitted to special sub-committees of experts. Is it not probable that the pressure of other matters prevented Laud (the chairman), and other high State officials, from exercising powers as far-reaching as those actually wielded in the arbitrary courts? The war naturally diverted attention, and though, as early as

November 24th, 1643, a Parliamentary Commission of eighteen was authorised to control plantation affairs and to exercise wide-reaching powers, it, like its predecessor, accomplished little. We wonder, as he does not mention it, whether the writer has come across the earlier ordinance of November 2nd, dealing with the points referred to in the commission quoted, and by which the Earl of Warwick was made "governour in chiefe and Lord High Admiral of the plantations in America." It was not until the close of the war that trade or colonies could be seriously considered. Then, however, there was no delay, and Parliament at once handed over to the Council of State all authority to control foreign and domestic trade and plantation affairs. The Council found it expedient in 1650 to appoint a Council of Trade, upon whose history Professor Andrews throws much light. In an appendix, he prints those statesmanlike and comprehensive instructions which, as he says, give definiteness to the commercial and colonial programme of England. The instances mentioned of cases brought before this Council of Trade and its successor, the Trade and Navigation Committee (1655-7), show them to have been more actively concerned with the vital trade questions of the time than with colonial matters. This was probably due to the activity of the Council of State, which directly and through Committees effected something. Though little was accomplished notwithstanding the variety of machinery, and though there was no consistent plan, Professor Andrews clearly holds that the schemes and successes of the Restoration period owed much to the experiments of the Interregnum, and to the agitation of such hard-headed practical merchants as Noell and Povey, whose influence is marked from 1655 onwards. As colonial trade became more important, remedies for existing defects in the conduct of colonial business were suggested by men with a direct stake in the development of that trade, and one of the most interesting parts of the book is the comparison of Povey's practical suggestions with the instructions actually issued to Restoration councils. Clarendon utilised the experience of merchants and planters, and the policy of control by separate and select councils for trade and for plantations was maintained until his fall. Then, for a short period, the Privy Council Committee for Trade and Plantations was considered adequate, but the plan of separate councils was soon revived, and much interesting information is forthcoming as to the Council of Trade (1668-1672), and the yet more important Council of Foreign Plantations (1670-2), and the Council of Trade and Plantations (1672-4). Professor Andrews proves that the former body was

really intended to be effective, and was not merely a piece of political manoeuvring to prevent trade with France, as Roger North implies in an account which Professor Ashley is inclined to view with approval (p. 94). It did not touch trade with France, but for a time considered many matters connected with domestic and foreign trade. More activity was admittedly displayed by the Council of Foreign Plantations, to which elaborate instructions were issued (App. II.), and it may have been on grounds of efficiency as well as economy that, in 1672, a new Council was appointed to act as a Council of Trade and Foreign Plantations, with instructions drafted, in part, probably by Locke (App. III.). These instructions present a complete statement of the principles of plantation policy, and the heads of business done by the Councils of 1670 and 1672 (App. IV.) show that the members took things seriously, and dealt with many of the matters committed to their care. When the Council was dissolved in 1674, control reverted to the Privy Council Committee which, from the Restoration onwards, had also exercised supervision and control of colonial affairs. As is well known, these Lords of Trade acted as a board until the creation of a separate Board of Trade and Plantation in 1696.

It may be suggested in passing that one possibility of confusion would be avoided if the same title could be used uniformly. Thus the Council of Trade of 1650 is referred to under the name Board of Trade in App. I., and the Index to the entry books of the Council of 1670, described on p. 102, is quoted in Appendix II. as a Journal, although the actual Journal is mentioned as missing.

This brief and inadequate summary may convey some idea of the main outline of a valuable piece of research. Until recently the attention of historians has been directed almost exclusively to the religious, constitutional, and political aspects of the period. It is only as the result of scholarly spade-work, such as is now presented to us, that we can hope to reconstruct eventually the economic history and policy of the seventeenth century. Towards that reconstruction Professor Andrews has contributed by showing how earnestly and continuously, during a period of domestic stress and change, the home government endeavoured to develop machinery adequate to deal with the new responsibilities created by colonial settlement and colonial trade.

ELLEN A. McARTHUR

Théorie de l'Évolution. By G. DE MOLINARI. (Paris: Félix Alcan, 1908. Crown 8vo. Pp. 257.)

IN this little *brochure* the editor of the *Journal des Économistes* presents a summary review of historical development from primitive times to the present age. The standpoint from which the survey is conducted is "orthodox," and we are not surprised to find that competition is given from the very outset special, if not exclusive, prominence as the prime agent of beneficent improvement, and that in the modern days in which we are now living, and in that approaching future to which M. de Molinari casts an apprehensive rather than a sanguine glance, monopoly and protection are set alongside of war as the unkindly forces whose perverse but potent influence he contemplates with unconcealed misgiving. For, by a striking contrast, his optimism on the past is not maintained when he directs his gaze to other times. And yet that robust belief, so characteristic of French economists of the straitest sect, in the efficacy of unrestricted freedom in the economic sphere, does not suffice to palliate or hide some ugly incidents accompanying the progress wrought in previous ages. The justification of slavery as a habitual feature of early civilisation will be familiar to most historical students, but it may startle some, and it may not convince others, to find the invention of gunpowder put by the writer of this book on the same level as the discovery of the steam-engine in its effect upon the evolution of mankind. M. de Molinari is led by the nature of his subject and the limits of his space to attempt an "economic interpretation" of history alone, and his treatment is open to further criticism because even within the restricting boundaries thus prescribed it produces some impression of discursiveness and disproportion. For the objection may, we think, be raised that too much space has been devoted to primitive and early periods, and that when we arrive at later modern times we find a number of chapters dealing somewhat disconnectedly with particular epochs, and with special features, rather than presenting in orderly chronological succession a systematic survey of the main course and typical forms of development. Yet the author contrives to supply from time to time illuminating hints, and he has invested his story throughout with the attractive qualities of lucidity and point. These, indeed, we expect from the practised pen of a veteran writer who on many previous occasions has enriched French economic literature with the work of an industrious and accomplished mind.

L. L. PRICE

H H 2

Economic History of the United States. By E. L. BOGART.
(Longmans. Pp. xiii + 522.)

THIS is the most complete text-book of the subject which has as yet been issued, and will probably be widely read for some years to come. A certain absence of stimulus and suggestive interest seems to be inevitable in the modern educational manual, but all students owe a debt to the author for the care and impartiality with which he has sifted and arranged a considerable mass of material; with his aid it will be much easier to "get into" the subject than it has ever been before.

Two chief defects in much that has been written on modern economic history are over-emphasis of commercial policy, and excess of quantitative and technical detail. The former is avoided by Dr. Bogart, and his book gains thereby considerably in realism and force. In avoiding the other evil he has been less successful; too many of his sections read like translation of the decennial census into letterpress. There is, of course, plenty of room for different views as to the limits within which the study of economic history should be made a vehicle for conveying facts analogous to those which an older generation received from the "Child's Guide to Knowledge." Such information, however, as that "Cottonseed oil . . . is used in making salad oils, oleomargarine, lard, and soap" (p. 297), seems to go too far in the direction indicated.

It must not be supposed that Dr. Bogart lacks interest in the broader problems which his subject suggests. The contrary is evident in almost every chapter. But he is at his best in simple narrative and descriptive passages. His analysis of cause and effect is patient; his reading and sympathies are evidently wide; but he seldom throws much new light, and he is, perhaps, a little unimaginative in regard to civilisations other than his own. The dominant note in his work is a sanguine contentment with the tendencies of the western world as they appear in the United States. His delight in the size of his country and in its colossal progress are expressed with a naïve frankness which cannot possibly offend the reader. He is not blind to the darker side of the picture, but one feels that his perception of the waste of natural products, of the cleavage between rich and poor, of labour and racial trouble, &c., is the concession of an optimist who retains a healthy confidence in the destiny of his race.

The bulk of the book is divided into four parts. I. Colonial Development. II. Struggle for Commercial and Economic Inde-

pendence (1763-1808). III. The Industrial Revolution and the Westward Movement (1806-1860). IV. Economic Integration and Industrial Organisation. In Part I. the relations with England are treated with the charity which distinguishes modern American work on the period.

Part II. would have been strengthened, in our opinion, by more elaborate discussion of the economic aspects of the political system adopted by the new nation. Throughout the remainder of the book this side of the matter seems to be rather inadequately treated. But the lines within which the economic historian should work are at present drawn loosely, and it may be that many readers will congratulate the author on his comparative neglect of political *momenta*.

Part III. will be the most interesting portion of the book to many English readers. Especially noteworthy are chapters xi. and xii., which treat of the important manufacturing development prior to 1860; chapters xiv. and xv., on transport; and chapter xviii., on the application of machinery to agriculture.

Part IV. as a whole seems to us overcrowded with quantitative detail. The chapters on labour problems and organisation are clear and good; "Industrial Combinations" are treated somewhat inadequately; the few pages on "Commercial Expansion" are also slight.

The book is designed for "high school as well as college students," and is elaborately "methodical" in the sense in which the term is used by educational experts. Each chapter concludes with a list of "suggestive topics and questions," together with "selected references," to which attention is sometimes directed by one or more stars. The whole is well indexed, and concludes with a full bibliography; it is "profusely illustrated" with maps, pictures, and diagrams. A high school or university teacher is thus provided with a kind of Baedeker to advanced teaching in the subject, which will enable him to ground his students thoroughly with a minimum of personal exertion. This part of the work seems to have been done excellently, though, at the risk of appearing hypercritical, we would suggest that the utility of the bibliography is not perceptibly increased by the inclusion of Professor Marshall's "Principles of Economics," whilst if Thorold Rogers's "Six Centuries of Work and Wages" and "The Economic Interpretation of History" are included, it is not immediately obvious why his "History of Agriculture and Prices" should be omitted. Most of the illustrations help to make the text intelligible, but

this is not the case with all; the pictures of a "corn shocker" (p. 292), a "corn husker and shredder" (p. 295), a "basting machine" (p. 364), and others convey practically nothing to readers who have not seen the actual machines. On the other hand, the picture of a "combined harvester and thrasher" (p. 287) condenses in half a page all and more than could be written in a chapter. Wheat fields stretch to the horizon, and across them twenty-four horses drag a bulk of complex machinery which dwarfs the figures of the men who guide it.

H. O. MEREDITH

L'Industrie Américaine. By ACHILLE VIALATE. (Paris: Alcan. Pp. 492. 10 frs.)

M. VIALATE has written a lucid and well-informed summary of industrial tendencies in the United States. The book is based largely on works which are familiar already to English students, but the general reader will be well advised to borrow from France this excellent condensation. The author has spent some time in the United States, and can check and illustrate his authorities by personal knowledge and observation.

H. O. MEREDITH

Essays in Municipal Administration. By J. A. FAIRLIE. (New York: The Macmillan Company, 1908. Pp. 374.)

THE value of Prof. Fairlie's work and writings on the subject of administration in general, and municipal administration in particular, is so well known that a perusal of the present volume is likely to leave the reader with a sense of disappointment. It consists of a collection of nineteen essays, written at intervals during the last ten years, and of very different degrees of value. Some are of a purely general character, such as the opening paper on "Some Phases of Municipal Government" and the brief essay on "Instruction in Municipal Government"; others are elaborately detailed accounts of special problems in particular American cities, such as the lengthy paper on "The Street Railway Question in Chicago," which does not appear to have reached a solution at the time the paper was prepared for publication in the present volume, and the shorter article on "Municipal Electric Lighting in Detroit."

A group of essays are stated to present "some observations on municipal government in Europe made during a visit in the

year 1906"; and a considerable part of the matter contained in them might have been omitted with advantage. A little over a page is devoted to Leipzig, and contains nothing beyond such brief notes as to municipal services as one might expect from an ordinarily intelligent tourist with a mild interest in municipal affairs, combined with a few guide-book sentences; Rome is dismissed in three pages, which tell us among other things that, "in its architectural monuments and its collections of paintings and sculpture, Rome is one of the greatest centres of the world. All of these collections, which attract the attention of the visitors, are also open to the inhabitants of Rome on payment of the usual fees." Florence and Venice each get two pages; of Florence we learn that "in many respects it is an attractive city," and of Venice that "gondolas take the place of cabs"; and Naples and Buda-Pest receive about the same amount of "scrappy" information, which serves no useful purpose. The London Traffic Problem is discussed briefly (apparently without reference to the Report of the Royal Commission), the Glasgow tramways and telephones are dealt with in three pages and a half, and recent Birmingham enterprises are described to the extent of four pages. A useful account is given of the municipal government in Vienna; but this does not redeem from mediocrity the particular section of the book which contains these European notes (pp. 287-349).

It is the more unfortunate that Prof. Fairlie's present volume should be handicapped in this way, since some of the essays which it contains are of real value. The account of the origin and organisation of municipal corporations in the American Colonies—they grew up in that group of Colonies in which the influence of the home Government was strongest, and their formation was entirely within the period from 1686 to 1746—is an extremely instructive contribution to the history of municipal institutions, and though its interest is almost purely historical it is probably the best thing in the volume. The article on "Municipal Codes in the Middle West" (pp. 110-124) illustrates at once the movement towards a coherent and intelligible organisation of municipal government on lines which are coming to commend themselves to reformers generally, and the extent of those divergencies between State and State which make it impossible to describe any particular form of city government (save in the merest outline) as being "typical" of the United States. The long essay, by Professors Fairlie and Merriam, on the Revenue Systems of certain typical American and Foreign Cities (the

latter are London, Paris, Berlin, Vienna, and Glasgow), contains much information of interest as to the forms of local taxation; but it is doubtful if it yields any results of practical value. The differences in municipal organisation, in the range of public services, in the conditions and habits of city life, and even in the purchasing power of money, are so great that comparisons of *per capita* revenue and expenditure have little, if any, meaning; and the local revenue system is in each case so related to the methods of State taxation in vogue as to render, as a rule, any transference of a form of municipal taxation which has been successful in one country to any other practically impossible. The statement (on p. 213) that in European cities most of the direct taxes levied by the local authorities are in the form of additions to the State taxes, and that "the taxes for the central governments are the larger portion of the whole, although the local taxes are also of weight," is not quite intelligible; certainly as regards the large Prussian towns the latter part of the statement is somewhat inaccurate, for there the local income-tax alone is normally anything from 150 to 200 per cent. additional to the State income-tax.

The essays which deal with purely American conditions may be commended to those students who wish to realise the confusion of American civic institutions, the strivings after reform and the obstacles in the way. Probably such students will soon become convinced that, save in technical matters of administration, each country must work out its own salvation on its own lines; it can derive very little from others. Though we prefer Prof. Fairlie's more systematic writings, it is possible to learn from this volume something of the lines on which a trained observer, striving after a rigid impartiality, expects a sound system of municipal government for the United States to be built up, and it is noteworthy that he is not, as so many civic reformers in the United States, an uncompromising advocate of municipal ownership. But is it quite certain that (p. 15), since in every city there are "sectional divisions with tolerably distinct municipal interests and some elements of common social life," such divisions "ought to be recognised and emphasised in the political system"? The one object of all who care for sound municipal government should surely be to diminish the force of sectional interests, and to replace them by the sentiment of a common citizenship.

PERCY ASHLEY

Johann Friedrich von Thünen und seine Nationalökonomischen Hauptlehren. By DR. MAX BÜCHER. (Bern, 1907.)

VON THÜNEN'S work, like that of other pioneers in economic theory, can be appreciated only with difficulty at the present day, when so many of the ideas which he struggled to grasp and explain are now to be found in every text-book explained with greater clearness than he could attain. This book is much to be commended as an exposition of the substance of von Thünen's writings, and should enable the modern student to acquire a very good idea of his work and of his position amongst the great pioneers.

An agricultural Ricardo, one might call von Thünen. It is impossible to doubt that he had quite independently grasped the theory of rent, though his exposition is obscured rather than helped by the elaborate and detailed calculations of the cost of producing and transporting the various commodities which would be grown at different distances from the central market town of his isolated state. Von Thünen fixes his attention on differences in cost of transport to the market as the fundamental condition determining rents, but he is more interested in the effect which differences of cost of transport have upon the distribution of agricultural industries. Ricardo fixes his attention on differences in the fertility of various soils, and it is the question of rent which interests him. The different circumstances of Germany and England at that time account for the attitudes of the two men. When we come to the question of wages, we must assign a higher place to von Thünen than to Ricardo. The former has the merit of having grasped the idea that the efficiency of labour must be a factor in determining wages. His formula, doubtless, is too simple for the complexities of the case; the theory of value was not sufficiently developed to admit of any very comprehensive treatment of the problem. Still, von Thünen's formula was a great advance on the simple subsistence theory of wages which was current at the time, and it led von Thünen to adopt a very sane view of the prospects of the working classes. He looked forward to a gradual increase of efficiency of the working classes through improved education, especially technical education. Increased efficiency and intelligence of labour, he argued, would operate to the advantage of the working classes in two ways: directly, in accordance with his formula, and also by allowing greater competition for posts requiring some education and intelligence, and so reducing the salaries of busi-

ness managers and officials. He did not seem to expect the state to play any great part in effecting this amelioration of conditions for the masses, but looked to the enlightened self-interest of parents and employers. His attitude is thus far removed from that of the Marxian Socialists, and perhaps errs on the side of optimism. In discussing interest, von Thünen seems to pay attention only to the rate per cent., and to ignore the fact that nearly all the capital may be owned by comparatively few people.

Those parts of von Thünen's theory which are open to the most serious criticism are his discussions of taxation and of Protection. He holds a very alarming view of the effect of a tax on agricultural production. Theoretically, in the isolated state and practically elsewhere, he holds that a tax proportionate to the amount of produce must drive the more distant "no-rent" land out of cultivation and leave the displaced people to starve, since the tax cannot come out of rents; and to explain the incidence by supposing the price of the product to be raised, conflicts, he supposes, with his wages formula.

The present writer cannot quite agree with Dr. Bücher's comments on this point. Dr. Bücher agrees with von Thünen that the dire results are theoretically correct for the isolated state, because it is supposed to be in an unreal "stationary" condition. Should we not rather say that von Thünen's formula is inadequate to all the tasks imposed on it, and that his theory is at fault? The only important difference between the effect of a tax in the isolated state and the effect of a similar tax under ordinary circumstances is that in the former the effect is supposed to work itself out uninfluenced by any other change of circumstances, whilst in the ordinary actual life time is required, and other circumstances may alter and produce effects which obscure the results of the taxation, as von Thünen clearly perceives.

In dealing with Protection, von Thünen is not very satisfying. He perceives the advantage of having goods produced where conditions are most favourable, but he has not got so powerful a grasp of this part of the subject as Ricardo. In considering what would happen to a country which abandoned Protection and admitted foreign agricultural produce from a country better suited for agriculture, he seems to regard the displaced agriculturists as having no option but to starve or to emigrate to the more favoured region. His position is thus fairly described by Dr. Bücher as that of a Free Trader from the cosmopolitan standpoint, but from the national standpoint an opportunist. The fact

of any necessary connection between imports and exports and the possibility of fluctuation of the level of prices do not seem to enter into von Thünen's consideration. On the whole, one may say that von Thünen had a clear conception of the doctrine of "margins" as applied to prices, rents, and even wages, but he was not able to work out the conception to its fullest results.

C. F. BICKERDIKE

Das Wirtschaftsjahr, 1905. Jahresberichte über den Wirtschafts- und Arbeitsmarkt. By RICHARD CALWER. Zweiter Teil: Jahrbuch der Weltwirtschaft. (Jena: Gustav Fischer, 1907.)

THIS statistical annual has apparently now reached its fifth year of publication; it is in effect an abstract of the abstracts, and the long list of authorities given at the beginning shows how much trouble goes to its compilation. For those who know the meaning of particular groups of statistics and wish to lay their hands on the special amounts for 1904 and 1905 the Year-book is of value; but we doubt whether an uncritical combination of heterogeneous numbers can be safely used by the non-expert. It is very noticeable that the statistics are produced by the various nations on no uniform plan, and that only in the simplest cases (such as the production of cereals and raw materials) can a definite comparison be made. The earlier part, concerned with production, is mainly confined to such raw materials, and we cannot find, for example, any reproduction of such well-known tables as give the consumption or production of pig-iron; this may arise from the restriction of the tables to subjects contained in official (national) publications. In the tables relating to foreign trade we are reminded of our own Statistical Abstract for the Principal and other Foreign Countries, which indeed contains the great part of the information given in this Year-book. Some further definition is wanted in the heading of several tables. Do the Export Tables relate to General or Special Trade? Does the table of shipping refer to the tonnage owned by the various nations or entered or cleared at their ports? The distinguishing excellence of the book is its clearness of type and portability. To those accustomed to the cheapness of Government publications, its cost (9 marks) appears considerable. Further, we are not yet given the statistics for 1906.

A. L. BOWLEY

On Collective Phenomena and the Scientific Value of Statistical Data. By ERNST G. F. GRYZANOVSKI. With an Introduction by FREDERIC TRICKERMAN. (American Economic Association, August, 1906.)

It is but rarely that attention is given to the fundamental functions of statistics, and the republication of this thesis in accessible form is therefore to be welcomed. The place of statistics is strictly limited by the author; where knowledge can be perfect and causation certain it is only an auxiliary; where probability is involved, statistics finds its proper place; with complete uncertainty of causation statistics is a trespasser. Under the heading "Registration," the nature of averages is discussed, and the necessity of a measure of dispersion pointed out; under "Interpretation," causality is analysed. There are five grades of causal connection, from the Necessarily Connected to the Totally Unconnected; the intermediate grades, Presumable Connection, Indirect Connection, and Apparent Independence, form the sphere of statistics. These divisions cut across the ordinary classification of sciences into physical, biological, and ethical, and exclude on the one extreme probabilities in physics calculated from theoretical laws, and on the other historical records; and the resulting analysis cuts out a good deal which has formed the subject-matter of statistics. "Chance . . . is philosophically the reverse of accident," for the former is calculable, the latter not; the author, if we understand him rightly, wishes to limit statistics to cases where chances are calculable. But the statistical methods of criticising, establishing, and obtaining the significance of historical records are only remotely related to calculations of chance, and we do not find that this very important function of statistical science fits into any of the categories proposed. The pamphlet concludes with a discussion of the relation between freewill and the apparent inevitability of statistical coefficients; individuals can act on some of the many causes which produce the general result; when their action is not at random, but correlated, there is a definite and cumulative effect, which is shown by the gradual change of the coefficient. The fall in the birth-rate, observable since the author's death in 1888, forms a good illustration of this last analysis.

A. L. BOWLEY

Henri de Saint-Simon, die Personlichkeit und ihr Werk. By FRIEDRICH MUCKLE (Doktor der Philosophie). (Jena: Gustav Fischer, 1908. Pp. vi+384.)

"You must be an enthusiast if you are to accomplish great things." That was the last dictum of St. Simon on his death-bed, and Dr. Muckle, at any rate, has proved its truth. His enthusiasm for his hero has helped him to produce a good book. It is not a biography; it is an account of a system. It is divided into two parts; the first gives a very full account of St. Simon's works together with sufficient biographical detail to make the author's narrative clear, and the second deals with St. Simon's influence.

Schmoller has called St. Simon a clever adventurer, who certainly had some new ideas, but who also wrote much that was wild and extravagant. Nor does Schmoller stand alone in this view. But to Dr. Muckle St. Simon is a hero. Yet despite his zeal he does not pass over St. Simon's conceit and foolishness; and he admits that he was sometimes paradoxical and often contradictory. But his excuse is that St. Simon must not be judged by the ordinary conventional standards. For he regards him as the most influential thinker of the nineteenth century, whose greatness is proved by the fact that two such differing schools of thought as those of Comte and Marx should both have drawn their inspiration from his teaching.

Nevertheless Dr. Muckle is worth reading. He has made himself thoroughly familiar with St. Simon's writings, and knows, too, the conditions amid which his hero lived—as witness one or two excellent sketches of the economic conditions in France at the beginning of the nineteenth century. Indeed, the book is full of information from cover to cover. The author gives a detailed account of St. Simon's view of history, which in its highest sense he regarded as the history of human thought and human knowledge; how political and military history he looked upon but as of secondary importance; and how he divided universal history into eleven epochs, each characterised by certain well-defined features. On this view of history St. Simon built up his social system, which had as its aim to make possible for all men the unfettered development of their powers. In order to achieve this aim he propounded a scheme of government modelled on the English parliamentary system. Every nation was to have a parliament of this kind, and over all these there should be a European parliament.

Yet Dr. Muckle will not have St. Simon classed among the Utopian Socialists. He believes his teaching to have been eminently practical. St. Simon saw the struggle between the old Feudalism and the new Capitalism (embodied in industrial undertakings), and believing that the latter represented an upward stage in historical development, he became its prophet and its champion. "Tout par l'industrie, tout pour elle." And by industry he meant all manner of useful labour. He demanded that political power should be given to the representatives of industry and of natural science, which he always regarded as bound up with industry and its advancement. This, according to Dr. Muckle, was the ideal of St. Simon's social philosophy, and this, as well as his claim that the State should recognise the principle of the right to work for those who could work, and the right for State aid for those who could not, brought St. Simon very near to Socialism.

But was he a Socialist? We cannot help thinking that Dr. Muckle does not give a clear answer to the question. He does indeed say at one point that St. Simon was not a Socialist. But he immediately qualifies his statement by asserting that there are very many Socialistic tones in St. Simon's writings, faint as yet, but perceptible; and twenty pages lower Dr. Muckle calls him the first Christian Socialist. Moreover, he disputes the generally accepted doctrine that Marx and Engels were the originators of the materialistic view of history. Dr. Muckle asserts that it was St. Simon who first gave distinct expression to that notion; Marx only developed it and gave it greater precision. Altogether the section dealing with the relationship of Karl Marx to St. Simon shows great learning and a thorough knowledge of the subject, and is as interesting as that which bears on the relation of Comte to St. Simon.

All this, however, has been considered more or less fully by other writers also. What is new in Dr. Muckle's book is the thesis that Thomas Carlyle, while owing much to Goethe and Fichte, is wholly dependent on St. Simon for that teaching which best characterises him. Indeed, Dr. Muckle lays it down that Carlyle was but a brilliant populariser of St. Simon, and, moreover, an unconscious one. But we must confess that Dr. Muckle hardly makes out a conclusive case for his thesis. Even if Carlyle did write, "These people (the St. Simonists) have some wonderful ideas which contain a good deal of truth"; or even if in *Sartor Resartus* he quoted a saying of St. Simon; or even if Mrs. Carlyle wrote in a letter, "The most interesting acquaintances we made

were the St. Simonists"—all this, to which Dr. Muckle appears to attach no little importance, may show that Carlyle was not opposed to the teaching of St. Simon, but it does not give effective support to Dr. Muckle's thesis. Yet this part of his book is worthy of special attention. He points out some interesting parallels from the writings of Carlyle and St. Simon. It would seem that their views on the French Revolution, on mediæval ideals, on the future of the working classes, on parliament, and on the franchise, show a remarkable similarity, which Dr. Muckle is at great pains to show by extracts from their works. The author's enthusiasm for his hero here rises to a very high pitch.

It is a pity that the book has no index. Dealing as it does with so many interesting topics, and giving pretty full information on most of them, the book would have been much more valuable with an index, more especially as the table of contents does not by any means do justice to all that it contains.

M. EPSTEIN.

System der Verkehrspolitik. By JOSEPH GRUNZEL. (Leipzig: Duncker und Humblot, 1908. Pp. vi+407.)

DR. JOSEPH GRUNZEL, with his usual thoroughness, has written a very useful book dealing with transport and the means of transport. He touches upon all means of exchange and all agencies which facilitate exchange—roads, railways, shipping, post, banks and banking—and concludes with a good chapter on insurance in so far as it affects transportable goods. The book is descriptive right through; the author is somewhat disdainful of theoretic speculation. It is very full and up to date, and above all things readable. Dr. Grunzel is able to make even the history of roads interesting. Nor does anything escape him. The construction of railway-stations, the lighting of railway carriages, navigation laws and navigation policy, the building of harbours, the pros and cons of State ownership of railways, the difference between English and German banks, all receive attention. Indeed, it is not too much to say that the book is of the nature of an encyclopædia. It is well ordered; the author's method is to deal first with the general aspect of each subject and then to give information concerning the existing conditions with regard to it in the chief countries of the world. It is essentially a book for those who wish for information; it is thorough and practical. There is a good index, and each section is followed by a useful bibliography.

M. EPSTEIN.

Soziale und individualistische Auffassung im 18 Jahrhundert, vornehmlich bei Adam Smith und Adam Ferguson. By HERMANN HUTH. (Leipzig: Duncker und Humblot, 1907. Pp. xv+160.)

James Mill und die historische Methode. By DR. KARL MÜLLER-WERNBERG. (Bern: J. Zollinger, 1908. Pp. 87.)

DR. HUTH'S treatise is the 125th volume of Prof. Schmoller's "Staap und sozialwissenschaftliche Forschungen." His object is to discover the exact meaning of the term Society in the writings of Adam Smith and Adam Ferguson. He begins by tracing the trend of opinion in the seventeenth and eighteenth centuries with regard to the term Society, and he refers to over seventy authors of the period in all tongues of the learned. His book is a mine of information, giving seventeenth and eighteenth century views on the meaning of society, on the different forms of organised society and on the relationship of the individual to the community. To give but one example. If we turn to the section dealing with the idea of organised society we find the views of Bodin, Hobbes, Locke, Montesquieu, Shaftesbury, Rousseau, Quesnay, and Smith. The book ought to be useful, but, like most books of the kind, it makes somewhat difficult reading. It might be said that the author's aim was to lay bare the historical development of the principle of *laissez faire* as found in Smith; to show how it grew up in the seventeenth century and developed in the eighteenth.

Much more simple in its aim is Dr. Müller-Wernberg's essay. He tries to answer three questions. Did James Mill adopt the historical method in his *History of British India*? If he did, why did he not use it in his writings on Political Economy? Further, to what extent do the views on Political Economy to which Mill gave expression in his *History* accord with those to be found in his purely economic works? And why does he ask these questions? His reason is simple. Adam Smith's method was historical as well as philosophical, inductive and deductive. But his disciples discarded the inductive method. Now, the most important of these, according to Dr. Müller-Wernberg, were Bentham, Ricardo, and James Mill. That Bentham and Ricardo should have proved faithless to the historical method our author can understand. The one had got used to the deductive method alone in his legal studies, and so used it in his economic studies also; the other had no knowledge of history, and perhaps lacked the historic sense. But James Mill? He was apparently a

professed historian. How account for his avoidance of the historic method in his purely economic writings? We should not be surprised to learn that this is a doctoral dissertation. Certainly, the questions which the writer set out to answer are not of the greatest importance, but he has done his work neatly enough. His conclusion is that it is a mistake to regard James Mill as an historian; that in reality he was perfectly consistent in not adopting the historic method in his economic works. Moreover, the economic opinions in the *History* agree with those in his writings on purely economic questions.

M. EPSTEIN.

The Distribution of Livelihood. By ROSSINGTON STANTON.
(New York and London, 1908. Pp. 125.)

THE author attempts to lay down rules to govern the just disposition of livelihood under modern conditions; and perhaps somewhat unwisely chooses to base his principles of production on a primitive condition of industry that has passed away. His "principles of production," indeed—"necessity," "accumulation for seed," &c.—would make a very interesting introduction to "economics for aborigines" if only one had not heard the same thing said, and better said, so often before. Primarily labour is applied to the gathering and producing of the fruits of the soil, but with a growth in the efficiency of labour, which as a rule finds vent in a more extended division of labour, a further class of workers is confined to working up the raw materials in some form or other. This is "landless" as distinguished from "landed" production. There is a third class of labour "which receives its valuation without regard either to land or labour, but solely under its constitutional competitive operation." Corresponding to these three classes of labour are three types of value—Land, Landless, and Simple Value. The difference between this last value and that conferred by the comparative influence of land is interest, that between this comparative valuation and the direct value conferred by land is rent. All interest—except wages of risk and the reward of management—is to be eliminated by restricting the hours of labour. For the author is apparently sublimely ignorant of the nature of interest as deferred payment for stored-up labour, and equally so of the fact that capital would not be forthcoming except for a fair return. Rent is to be taxed out of existence, on grounds which might possibly have been valid in the days of Methuselah; but he altogether ignores the very

complex conditions of modern land tenure. He does indeed deal with some few objections in a later chapter, but these are by no means the most vital ones, nor is his treatment convincing.

Of the book as a whole, one may say that it might have been interesting as an illustration of that sort of solution of modern problems which can be reached without a study of facts, if only the author's language and reasoning were a little less obscure. Too often, indeed, it is hard to understand what he really means; but some of his sentences might be useful as puzzles. As a producer of books, the author contrives to get along without much "raw material," that is to say, facts; and indeed of some important principles which he sketches in an appendix, he lays it down that "to ascertain their accuracy would require a very considerable and complex analysis that I am unable to attempt at this time"; but he is content to express confidence that investigation will verify their correctness. One can scarcely conceive a more deplorable attitude. For the study of social problems has reached so advanced a stage that the least which can be asked of an author is that he shall base his system on a study of actual facts. Mr. Stanton is very severe on Adam Smith for assuming the principles of production. If, indeed, the latter did this, which is doubtful, at least he based his conclusions on a number of recognised facts and human qualities, while his critic rests only on his own opinion of what is right, and not of what is. His assumptions may, of course, be based on a wider study than is apparent in the book itself; but, if so, it does not appear from the course of the narrative, and if he has got any facts to show, Mr. Stanton has kept them out of sight. One cannot think, therefore, the book will possess any great value. For the casual reader it is too heavy and obscure; for the sociologist it fails to show any basis of facts.

N. B. DEARLE

Value and Distribution. A Critical and Constructive Study. By HERBERT JOSEPH DEVENPORT, Associate Professor of Political Economy at the University of Chicago. (Chicago, 1908. 8vo. Pp. xii + 582.)

THE issue of this monumental work is a reminder that the theory of value, by reason of the voluminous treatment it receives, will from time to time require such a "critical and constructive" treatment as the author sets out to provide. So far, good: for what the author proposes is likely to be not less useful than it is

difficult to carry out with success. The continual appearance of new doctrines makes it necessary from time to time to "report progress," in order to unearth the elements of truth in each of them. A new theory of the author's own is not indispensable, is perhaps better left out; but the great thing is to describe in concise and simple language the meaning and limitations of the most important, leaving the reader to draw his own conclusions. Such an operation as applied to the question of value and distribution should be able to clear away much of the undergrowth that springs up so as to reveal the central conceptions with due clearness.

Unfortunately the work before us is an example, an altogether admirable example, of how not to do it. For one thing it is far too long, covering as it does with the assistance of appropriately extensive notes, 577 pages of not very big print. For to be of any use such a book must be such as to enable the student to grasp quickly and easily the whole history and relationships of the subject. Then again the language is far too involved, and the author falls into an error, not altogether uncommon with American economists, of producing a number of distinctions, sadly ill-equipped with differences. For instance, Chapter I. (pages 1-7), on "Various Cost Concepts," contains quite a number: "Labour-Purchase Cost," "Labour-Time Cost," "Labour-Pain Cost," and "Labour-Value Cost," and there is a fifth admitted to be not very distinguishable from this last. So far there is comparatively little to complain of; but taking up "employer cost," as opposed to "employé cost," the author gives us "capital use cost," "abstinence cost," "loan interest displacement, or investment opportunity, cost," "capital product opportunity cost," "personal-wage displacement," and "personal-product-displacement (opportunity) cost," and finally "subsistence cost" falling into two, "standard of living wage cost" and "minimum of existence wage cost." Brought incidentally into a general treatment of the cost conceptions of value, these distinctions might serve a useful purpose as illustrations, but in a chapter preliminary to the discussion of the treatment of the subject by various writers they only breed confusion.

Again, there are two ways in which such a critical and constructive work can be advantageously arranged. The author may treat it as a development of the various theories of value and distribution without reference to persons, and, taking each chief theory in turn, show its rise and decline, and its connection with what goes before and what follows, and how it has led to the

new theory that displaces or modifies it. This is the method most usually adopted. The other consists in the selection of a few chief economists to illustrate each generation and school of thought with perhaps a chapter or two on minor writers, and then to show one by one how ideas develop in their hands, and this has been done with great success in other fields. For the economists in this case one might suggest Adam Smith, Ricardo, J. S. Mill, Jevons, the Austrian Economists, and Professor Marshall. Mr. Devenport manages to combine the disadvantages of both systems; for he spends far too much time in minute criticisms on individual economists, and gives no connected treatment on personal lines. Considering how wide a range his subject gives him, he would perhaps have been better advised to omit a treatment of individual economists, and confine himself to the first method. For at the present stage in political economy, we require something that shall be critical and selective rather than creative.

But this portentous work apparently tries to take in everything, and covers many times the space needed for that treatment of the question that is most required. It reminds us that the words of King Solomon may have as good an application to the individual book as to the total number of them. For "Of the making of many books there is no end" is surely as applicable to those writers who crowd a huge mass of matter in a single volume that few could read, as to the many who contribute each his small but probably useful quota to a large total number.

N. B. DEARLE

Special Committee on Unskilled Labour: Report and Minutes of Evidence. (Charity Organisation Society, June, 1908. Price 1s.)

POSSIBLY the most valuable result of recent experiments in the systematic relief of the unemployed has been the impetus given to the scientific study of the various aspects of the problem. The special Committee on Unskilled Labour appointed by the Charity Organisation Society was the outcome of a similar committee which inquired into the methods of unemployed relief in London in the winter of 1903-4, and which reported that permanent improvement must be looked for in a "better organisation of industry bringing about a diminished casualty of work, and a better organisation of the worker to meet such fluctuations as are inevitable." Later experience has only confirmed this view of

the importance of casual labour as a cause of distress from unemployment in London, and the hopelessness of attempting to deal with it by means of temporary relief works.

The search for a real solution is therefore of the first importance, and the work of this Committee is a step in the right direction. Mr. Hamilton's "Introduction," however, is at once something less and something more than the report of a Committee of Inquiry. On the one hand the committee, composed partly of members of the Society, and partly of employers and others more or less expert in the subject, were unable to agree upon a detailed report. They therefore decided to lay before the public their secretary's statement, and confined themselves to a few generalisations which are, indeed, in some respects an advance upon the common generalisations, whether of the public or of theorists, but which are only put forward as an outline to be filled in by further inquiry and experience.

On the other hand, Mr. Hamilton's statement embodies the result of researches of his own beyond the evidence of the witnesses, and also discussions of the economic bearing of the material thus collected, which make it to a large extent an original treatise. The evidence given before the Committee, as is natural in a subject of such scope and complexity, is valuable mainly as describing examples of the organisation of unskilled labour, or of the want of organisation, with the personal opinions of men of practical experience as to the evils of the present state of things, and the possibility of improvement. Mr. Hamilton has supplemented it by material drawn from the records of Distress Committees and Emigration Agencies, the Census, the Board of Trade returns of the fluctuations of employment at the docks, investigations at provincial and foreign shipping centres, and other sources.

The report begins by a general discussion of the economics of casual labour. Being primarily the result of inevitable fluctuations of industry it offers immediate advantages both to employers and to employed. The former gains in the elasticity of his wages bill; the latter gains in mobility. Unfortunately casual employment destroys the very qualities required for the realisation of this mobility, while it fosters thriftlessness and indolence. The result is that the labour is maintained partly by high wages where employed, and partly by outside agencies, public or charitable. Hence the process amounts to a "transference of the responsibility for finding sufficient employment from the stronger to the weaker," with results which have to be paid for indirectly by both parties, and by the community. Nor do its evils tend to be corrected by

the law of supply and demand. For not only is the supply continually recruited by degenerates from other occupations, but the chances of employment attract a speculative supply in excess of the maximum demand.

To break this vicious circle by the decasualisation of industry would, Mr. Hamilton points out, leave society faced with the temporary problem of the speculative surplus which would be rendered wholly unemployed, and the permanent problem of the degenerates rendered economically useless. Mr. Hamilton endeavours to determine the relative magnitude of these problems from the past history of applicants to Distress Committees. His result is inconclusive, but the evidence brings out the one possible function of temporary relief work, viz., to prevent the degeneration of regular workers through temporary depression.

As an introduction to practical methods of decasualisation the report describes in valuable detail the existing conditions of water-side, building, and cartage traders. In spite of wide differences a few common features emerge. In each the labour market consists of so many independent centres of employment—the dock-gates, the separate wharves—the foreman either stationary or moving from job to job over London. Each centre has its *clientèle*—grouped roughly into permanent, preference (whether "A" men at the London and India Docks, or simply men "known to the foremen"), second preference (so to speak), and purely casual and unknown. Each centre has thus its separate "floating reserve" of labour, and at each the machinery of the vicious circle is in full operation. The amount of demoralisation which ensues depends upon the number of centres amongst which a given amount of employment is divided. On this point the case of the London and India Docks—discussed in detail by Mr. Hamilton, and described in the evidence of the Company's staff inspector—is conclusive. The substitution of the single large unit with a small mobile reserve for the separate centres at each department, has raised the proportion of permanent hands from 20 per cent. to 80 per cent., with an increase of efficiency and reliability in the men which more than counterbalance any incidental inconveniences.

Mr. Hamilton comes, therefore, to the conclusion that the true remedy is to be sought in the organisation of the casual labour market by the "substitution of a large area organised as a single market for labour, in place of a number of small areas in virtual isolation," means being adopted to render labour "fluid throughout the extent of this large market." He gives reasons for doubting whether this can be done either through trade unions or,

except to a limited extent, through individual employers, and concludes in favour of the method of public labour exchanges, whereby different employers could draw on the same "reserve," and the members of that reserve receive fairly regular work from a succession of employers.

To meet general depressions, Mr. Hamilton, recognising the inadequacy in the case of unskilled labour of individual thrift, advocates "group responsibility," whereby, as in the sphere of life insurance, the law of averages would be utilised for the assistance of the particular individual on whom the whole burden would otherwise fall.

Whether, in order to make either of these recommendations effective, any form of compulsion would be necessary the report does not discuss. At all events they involve deliberate organisation to remedy evils which the free play of economic forces not only fails to prevent, but tends to perpetuate and increase. The report therefore represents a distinct advance upon the doctrine that the solution of social problems may be left to this operation of natural laws, modified only by the prudence, initiative and energy of the weaker sections of the community.

H. R. MAYNARD

NOTES AND MEMORANDA

THE review in the *ECONOMIC JOURNAL* for June, 1908, of the Board of Trade's investigation into working-class rents, prices and wages reproduced a table of index numbers intended to represent the real wages in various geographical districts. Rent, prices and wages in London are each taken as 100, and rent, prices and wages elsewhere are worked out as percentages of these; the price and rent index numbers are combined to form a new set representing the cost of living by giving the former a weight of four, and the latter a weight of one. The figures arranged in this manner for three districts are given below:—

	Rent.	Prices.	Rent and Prices Combined.	Standard Wages.	Real Wages.
London	100	100	100	100	100
Midlands	51	93	85	85	100
Ireland	50	97	87	84	97

It may be worth pointing out that the method of weighting adopted leads to a more arbitrary result than appears at first sight. Suppose, for instance, rents, &c., in Ireland, instead of those in London, had been taken as 100; the table given above would read in that case as follows:—

	Rent.	Prices.	Rent and Prices Combined.	Standard Wages.	Real Wages.
London	200	103	122	119	98
Midlands	102	96	97	101	104
Ireland	100	100	100	100	100

Thus, real wages in Ireland now appear to be 2 per cent. better than in London instead of being 3 per cent. worse; and real wages in the Midlands 6 per cent. better than in London instead of being equivalent. As rents are twice as high in London as in the Midlands or in Ireland, the Board of Trade have, in effect, weighted rents in those districts only half as heavily as in London. It is true, no doubt, that a London worker spends a larger proportion of his income in rent than

does a worker elsewhere; but the disproportion is not so great as this, and the method employed goes far towards neutralising the disadvantageousness to Londoners of the high rents they must pay, thus making their real wages appear unduly high. The same uniform weight should not have been given to rent in all districts without distinction.

The error in question is, of course, well known to theoretical statisticians; but the point is so seldom of practical importance that it is liable to be overlooked on the few occasions on which it has a more than theoretical interest. Only the combination of two circumstances is likely to lead to a significant error in the result—very wide fluctuations in an item which is heavily weighted. In the case of commodities, the particular system of weighting adopted is unlikely to have an important effect; but when rent is included, both the above conditions are satisfied, and the consequent error is therefore great enough to exercise a material influence on the conclusion. Mr. Wilson Fox enumerates in his prefatory note to the Board of Trade's report certain unavoidable circumstances which render the results afforded by the Board's index numbers only approximate; but this, the most substantial error of all, and one which might have been partially remedied, seems to have escaped notice. The same criticism applies to the report on Germany. If the North Sea Ports, instead of Berlin, had been taken as base, Berlin would have appeared fourth on the list instead of second, and the order of other districts would have been changed; and by taking Central Germany as base even greater changes in the order would have been effected.

J. M. KEYNES

NATIONAL FINANCE.

THOSE who take an interest in national finance will have noticed, perhaps with some amusement as well as interest, two sharply opposed but very widely held views as to present conditions. On the one hand, we are told with unhesitating confidence that the revenue-producing power of the present system of taxation has reached its maximum, and that to meet the growing needs of the future, not only in connection with the naval and military services, but also in the realms of social reform, the most pressing duty which lies before the Chancellor of the Exchequer is to "broaden the basis of taxation." Another large section of the population is equally insistent that taxation is already so heavy

as to bear oppressively upon commerce and industry; they see in the recent course of national trade the unfavourable influence of war taxation.

Without taking sides, it is possible to obtain an instructive sidelight upon both views from a few figures relating to the national debt. Unless they have sufficient curiosity to analyse the returns of revenue and expenditure in the light of Budget speeches, few taxpayers realise that during the past three years they have assisted to provide not merely for the normal "services" of the country, but also more than £39,000,000 for debt redemption. The figures are:—

1905-6	Net reduction for year.....	£7,746,304
1906-7	" " "	9,825,483
1907-8	" " "	16,839,000
1907-8	Surplus of income over expenditure	4,726,000
	Total	£39,136,787

Of course, the last item of four and three quarter millions will form part of the current year's sinking fund, the full extent of which is not revealed at the time of writing, but it arises from the past year's Budget, and its ultimate destination is assured—unless it is specially diverted by Act of Parliament to some purpose other than the customary automatic appropriation to "old sinking fund."

So large a redemption of debt within so short a period is unprecedented, and it will be realised that debt redemption has been the one object of recent finance to which all else has been subordinated. There have been remissions of taxation, but they have been neither "popular" nor very effective. They have arisen more from a desire to conform to strict free trade doctrine than to reduce the dead weight of taxation; indeed, the one effort seems to have been to maintain all sources of revenue except those which offend against the theories of the dominant economic school.

The necessity of debt redemption is admitted, especially in view of the large increase due to the South African War, but, as bearing upon the two points of view that have been mentioned, it is interesting to ascertain to what extent the great reduction of the past three years has been due to what may be called voluntary or supplementary appropriations—those in excess of the compulsory amounts required to be provided under the Finance Act of 1903.

When Mr. Austen Chamberlain succeeded to the office of Chancellor, he found the fixed charge for debt—*i.e.*, interest and

"new" sinking fund—standing at the normal twenty-seven millions. He added a round million for the financial year 1905-6. In the succeeding year Mr. Asquith maintained this increase, and added another half million. Again, in 1907-8 he maintained the million, and added another million and a half, which has been commonly described as "ear-marked" for old-age pensions. These items work out as follows:—

ADDITIONS TO "NEW" SINKING FUND.		
1905-6	Mr. Chamberlain added	£1,000,000
1906-7	Mr. Asquith continued	1,000,000
"	" added	500,000
1907-8	" continued	1,000,000
"	" added	1,500,000
Total.....		<u>£5,000,000</u>

The third and last items were temporary, but still they count, and it will be realised that the "new" sinking fund has been very real and effective during the three years. The full amount which it has provided in the period has been:—

"NEW" SINKING FUND.		
Financial year, 1905-6	£3,449,338
" " 1906-7	5,482,621
" " 1907-8	10,883,000
Total.....	<u>£19,814,959</u>

A comparison of this latter total with the preceding one makes it apparent that between a third and a fourth of the "new" sinking fund for the three years has been an entirely voluntary contribution. The soundness of the finance which dictated such an extension of what, until 1905-6, had been the legally specified allocation for debt redemption, may not be questioned. The fact that it was voluntary is the point to be remembered.

Whether the surpluses of the three years, which constitute what is called the "old" sinking fund, will be regarded quite so tolerantly, is open to question. It is a canon of finance that, normally, a large surplus is as much a sign of bad finance as is a deficit. The last three financial years have been years of substantial surpluses, and in each case the bulk of the excess has arisen from the fact that the realised revenue has been greater than the estimate. To some extent this may have been accidental in the sense that it was impossible to measure exactly the improvement in revenue which would follow trade expansion. But hitherto the generally accepted belief has been that the

Treasury officials were capable of estimating revenue to within a very narrow margin. True, faith in this ability has been rather shaken by last year's experience in connection with income tax—they estimated that the remission of threepence in the pound on earned incomes would mean a loss of £1,100,000 compared with the yield of a uniform shilling tax in 1906-7, whereas the actual yield, notwithstanding the remission, was £770,000 more. But probably, when the amounts of the surpluses for the three years are examined, many critics will incline to the opinion that the estimates have been what is euphemistically called "very conservative." The amounts have been:—

SURPLUSES—"OLD" SINKING FUND.	
Financial year, 1905-6	£3,465,620
" " 1906-7	5,399,000
" " 1907-8	4,726,000
Total.....	<u>£13,590,620</u>

The combined amounts of the "new" and "old" sinking funds do not agree with the total reduction of thirty-nine millions set out above. To some extent this arises from the fact that the first three of those items are net reductions—*i.e.*, after allowing for new debt created—and there is another source of error in that these net reductions have included miscellaneous items such as the China indemnity, and the proceeds of Suez Canal shares paid off, which are not included in either the fixed charges or the surpluses. Allowing for this, however, the main object of this brief investigation is illustrated.

The final stage of the inquiry is reached when the extra five millions of the "new" sinking fund are added to the thirteen and a half millions of the "old" sinking fund to make a total of eighteen and a half millions of extra or voluntary debt redemption in three years. If the main object of the Budgets had been to remit taxation, and if, with that end in view, instructions had been given to the Treasury officials that estimates were not to be too "conservative," much of the eighteen and a half millions, if not all, could have been "consumed" in advance by reduced taxes. What reductions might have been made may be left to be the subject of interested speculation, but it may stimulate curiosity to point out that the margin would have been sufficient to cover a remission of 2*d.* in the pound off income tax for the whole period, or to wipe out the sugar duty completely. On the other hand, they who talk of the necessity of "broadening the base of taxation" may usefully remember that here are eighteen and a

half millions, which, given reasonably optimistic Budgets, and the determination to let the sinking fund take its ordinary course, could have been absorbed by projects other than debt redemption.

[Since this note was written the Budget speech has been made, and the net reduction of debt for 1908-9 is estimated at £14,400,000. This does not affect the total of the "old" sinking fund as given inasmuch as the £14,400,000 includes the surplus from 1907-8 (subject to the slight adjustment mentioned in the speech, which, after all, is merely a matter of account); but another ten and a quarter millions will be added to the "new" sinking fund, making the total at the end of 1908-9 just over 30 millions. The net debt reduction for the four years thus becomes nearly 49 millions, and for the period for which Mr. Asquith has been responsible, just over 41 millions. Further, the latter reduction will mean a saving in interest of nearly one and a quarter millions annually, which, a year hence, will give a permanent charge of 28 millions for debt service, the equivalent effect of one of 29½ millions in 1906-7.]

A. DUDLEY EVANS

RECENT OFFICIAL PAPERS.

Report of an Enquiry by the Board of Trade into Working Class Rents, Housing and Retail Prices, together with the Rates of Wages in Certain Occupations in the Principal Industrial Towns of the German Empire. [Cd. 4032.] Price 4s. 11d.

IN this report is presented the second instalment of the results of the investigation undertaken by the Board of Trade into the cost of living of the working classes in the United Kingdom, Germany, and France. The first country was dealt with in the report published early this year [Cd. 3864], and noticed in the June number of this JOURNAL. The present report relates to rents of working-class dwellings, the prices "usually paid by the working classes for food and fuel," and to wages and hours of labour, chiefly in the Building, Engineering, and Printing Trades, and in some municipal employments, in thirty-three of the principal industrial towns of Germany. Besides the general report, containing a *résumé* and discussion of the methods and results of the inquiry as a whole, there is a separate monograph on each town, giving much valuable information respecting not only prices,

rents, and wages, but also the distribution of occupations, the organisation of industry, wages' agreements, factory rules, workmen's societies, vital statistics, municipal enterprise, &c.

One of the chief objects of the investigation being to obtain the data necessary for a quantitative comparison of working-class conditions in the countries under observation, the inquiry was conducted, as far as practicable, on identical lines to those pursued in the case of the United Kingdom. Most of the statistics of rents, prices, and wages relate accordingly to the month of October, 1905, though much information of a later date is given.

The actual amounts of rents, prices, and wages paid are printed, but all comparisons are made by means of Index Numbers, the construction of which is, on the whole, similar to that adopted in the United Kingdom report. Berlin, however, unlike London, has not within itself numerous examples of all the prevailing types of working-class tenements found in the course of the inquiry. Hence the rent index numbers are based on the "means of the predominant rents for each class of tenements" in all the towns together, excluding, apparently, Berlin. The resulting index number for Berlin is then made 100, and the index numbers for the other towns adjusted accordingly.

The index numbers for retail prices are based on the "predominant range of prices" paid by the working classes for certain articles of food, and for coal, in October, 1905—a period too short to yield perfectly trustworthy results, for reasons stated in the notice on the United Kingdom report, already referred to. The exact meaning of the phrase "predominant range," and the method of fixing the limits of this range, are somewhat obscure. It appears to be equivalent to a "modal" range, and to be the prices most often paid. The prices selected for the index numbers are weighted by numbers proportional to the quantities of the respective commodities consumed on the average by a working-class family, as estimated from over 5,000 budgets of income and expenditure collected by the Board of Trade. The budget families are dispersed throughout the country; but, despite this fact, doubt may be expressed as to whether they are a fair sample of the working classes, since "*family* budgets were sought for," and the "proportion of children in the budget families is clearly likely to be very much greater than in the population as a whole" (p. xxii), and, one may add, presumably greater than in the working-class portion of it. Index numbers are formed for rents and prices combined, by giving the latter a weight of four as

against a weight of one for rent. The expenditure on rent, as shown in the budgets, is, unfortunately, not published, and one can only suppose that the budgets revealed that, on the average, the weekly food-bill was four times as much as the rent.

Finally, index numbers are given, representing the level of wages in the Building, Engineering, and Printing Trades, and some municipal employments, though the latter do not enter into the construction of a set of index numbers designed to indicate the level of "Real Wages." These index numbers appear to be based partly on actual earnings, and partly on standard wages, in which case they are of doubtful value for comparative purposes.

The several sets of index numbers for various geographical divisions of Germany are summarised as follows:—

Geographical Division.	Mean Index Numbers.				
	Rent.	Prices.	Rent and Prices Combined.	Wages. ¹	"Real Wages."
Berlin	100	100	100	100	100
Central Germany	35	99	86	85	99
Rhineland Westphalia—					
Textile Towns	55	104	94	87	93
Hardware Towns	64	100	93	89	96
South Germany	65	107	99	82	83
Saxony	47	102	91	83	91
Silesia	52	91	83	85	102
Baltic Ports	52	99	89	79	89
North Sea Ports	59	101	93	93	100

¹ Skilled men in Building, Engineering, and Printing Trades.

To the Englishman, the most interesting part of the report is that in which comparisons are made between the cost of living in Germany and in the United Kingdom. These comparisons are mainly considered from the point of view of the English migrant to Germany, who endeavours to maintain the same standard of living as in his native country. Many difficulties stand in the way of such comparisons, and while some are carefully handled in the report, others are inadequately dealt with. By re-calculating the rent index numbers for Germany on the London basis, they are made comparable with the United Kingdom figures. But while rents in the United Kingdom generally include an element of local taxation, in Germany they do not (except for water). A correction has therefore been made to the former by deducting 18 per cent. for local taxation purposes—an amount arrived at after communication with the local authorities of fifty towns in the United Kingdom. The result gives the ratio of

rents in Germany to those in England and Wales as 123 to 100. This, however, assumes equal accommodation, whereas, in fact, the rooms in the German tenement are stated to be "as a rule distinctly both larger and loftier than the English." The German index number would accordingly appear somewhat too high, relatively to the English.

The index number for (weighted) retail prices is given as 118 for Germany, compared with 100 for England and Wales, and for rent and prices combined as 119 and 100 respectively. These ratios, however, like that for rent, appear too unfavourable to Germany. The German, for instance, buys his meat without bone and fat, so that what he pays in price above the Englishman he probably gets in consumable meat. It should not have been impossible to have made a correction to the index numbers on this account. But the report "neglects" such "minor differences," although where they could have been allowed for it would certainly appear desirable to have done so. A correction for the difference just referred to would probably reduce the German index number by several points.

The index numbers for weekly wages in the Building, Engineering, and Printing Trades are given as 83 for Germany and 100 for England and Wales. As already stated, however, the German index numbers are based on a mixture of standard rates and actual earnings, and are in consequence unsatisfactory. The report suggests that the German rates "appear somewhat too high relatively to the English." In connection with wages, it is important to have regard to the number of hours worked. These are 11 per cent. more in Germany than in England and Wales, and, allowing for this, the hourly earnings of the German are estimated to be only about 75 per cent. of those of the Englishman in the three groups of trades selected. In the formation of these index numbers, the amount of unemployment, though an important factor, is not considered.

Summing up, it is seen that under all four heads of rent, prices, wages, and hours of labour, Germany appears worse off than England and Wales; but, for the reasons adduced above, the comparisons seem unduly unfavourable to the former country so far as rents and prices are concerned, while, as regards wages also, the comparison is of doubtful validity.

A. D. WEBB

*The Report from the Select Committee on the Hop Industry.
Ordered to be printed July 6th, 1908. 213.*

THE imposition of a duty on foreign hops was the one sufficient remedy for depression in their industry which the majority of the hop-growers could suggest to the recent Select Committee, and the Committee's report might briefly be described as an exhaustive argument against such a duty. But where the Committee of 1890 issued a very short report, summarily rejecting the idea of an import duty, and not suggesting any other remedy, this Committee, in a report of 20 pages, deal with the position of the industry at home and abroad, discuss fully all the remedies that were put before them, and make some recommendations to Parliament, which, if adopted, should prove of no little value.

The most important of these, perhaps, is the one advising that brewers be made to declare the use of foreign hops. The Committee state that one of their reasons for refusing an import duty is the plea of some brewers that they must have foreign hops to mix with English ones. The report, however, suggests that consumers should be given the opportunity of deciding this question, and that not only the brewers' books and the Inland Revenue returns, but also every cask and bottle should tell the public what proportion, if any, of foreign hops has been used in brewing their beer. Secondly, the Committee recommend that the Marking Act of 1866 should be applied, as far as possible, to foreign hops. Many growers are confident that this would put an end to the smaller importations from Germany and Belgium, since these are mixed lots and could hardly be given a mark. Thirdly, the Committee state that the use of hop substitutes and preservatives is undesirable, and should be prohibited. Fourthly, they recommend that the burden of extraordinary tithe should be removed from land that is no longer under hops, and finally, that by extension and development of the Departments of the Board of Agriculture, English farmers be given better information about the hop industry in other countries.

Taken altogether, these recommendations are capable of effecting a great improvement in the position of English hop growers, but since their main request for protection has been rejected, the farmers' clubs which have already discussed the report express little gratitude to Sir William Collins and the Committee for the patience and fairness with which they have conducted the inquiry.

In dealing with the demand for an import duty, the report
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first shows that, quite apart from foreign competition, many home influences have helped to produce the present depression. Some of these are of long standing—the unequal treatment of English and foreign hops in the matter of marking, the extraordinary tithe, the rise in rates, possibly the matter of railway charges, and the system of tenure of hop-lands. More recent influences are, first of all, the reduced consumption of beer; there has been a steady fall from 37 million standard barrels in 1900 to 34 million in 1907. Then the proportion of hops used to each barrel has diminished, owing to a change in the public taste and in brewing methods. Slighter influences are noticed in the use of hop substitutes, and in the arsenic scare of 1904 and 1905. Of cardinal importance, however, are the two remaining internal causes of depression—cold storage, and the excess of supply over demand. The former is a comparatively new process, dating back about fifteen years, but owing its great development to the present century, and perhaps especially to the huge crop of 1905. 1904 had been a very short year, with prices running up to £10 per cwt. In 1905 they were down to £2. The brewers made the most of their opportunity. Mr. Hanbury, speaking of his own experience, said to the Committee: “Hops were very cheap, and the brewers bought large quantities to put into cold storage. In my own firm we filled our own cold store, then bought another and filled that, and eventually had to put hops away elsewhere as well.” The growers have based their recent outcry chiefly on the assertion that the low prices obtaining in the last two years are altogether exceptional, since these years have been short ones. Cold-storage is largely responsible for this, and one is inclined to wish that the Committee had put more stress on the fact. The words of Mr. Gretton’s minority report show the real significance of the new process: “It has tended to regularise the prices of hops and to keep them on a lower basis than formerly, as it enables brewers to hold a stock of hops with comparatively little deterioration from season to season.” The growers complained to the Committee of 1857 that rapid deterioration compelled them to sell their hops, however low the price might be. The brewers, on the other hand, had to buy, however high the price, and in the memorable “blight” year of 1882, they actually paid as much as £30 a cwt. But with the development of cold-storage a great change has come, and hop-growers will have to alter their methods. The “long view,” which expects occasional years of large profit to compensate for years of unprofitable prices, must be largely modified.

Perhaps the words which the Committee use of the famous Saaz district in Bohemia point to the necessary reform: "Great attention is paid to quality; the hops are not forced or over-manured." Most English growers maintain that manure is not a large item in the cost of cultivation, but it cannot be denied that the application of artificial fertilisers increases the risk of hop growing, and, by making the plant more liable to "go off," involves additional expense.

Further, the adoption of less intensive methods would reduce the yield, and, as it seems clear that the industry is suffering from over-production, this would be another step in the right direction. The Committee's statistics for this matter have been criticised. They admit that there has been a great decrease in acreage, from the maximum of 71,789 acres in 1878, to the lowest figure for the last half-century, viz., 44,938 in 1907; but they state that intensive cultivation has kept the supply constant. They take the figures for the average annual crop, and show that these, whether grouped in periods of four, seven, or ten years, display no material falling off in the home production of hops. When it is remembered that the demand has undoubtedly decreased, it will be seen that the position is not unlike that involved in Rodbertus' theory of over-production. One is compelled to think that gambling too often replaces sound business principles in hop-growing.

After this the Committee can turn to foreign competition with the assurance that it is by no means the sole cause of depression. It is here that they begin substantially to differ from the minority reports of Mr. Courthope and Mr. Gretton, which admit the depressing influences mentioned above, but consider the chief evil to be foreign imports. Mr. Courthope would tax these 40s. per cwt., exempting colonial imports from half the duty; Mr. Gretton proposes 28s. on foreign hops, but no duty on those from the Colonies.

The majority report does not consider foreign competition so potent a factor in the recent depression as to demand the exceptional treatment of this particular industry. Its statistics show the average annual importations to have decreased during the last two decades, though the hop-grower replies to this that he does not care what the average may be, but complains that his market is spoilt by large importations, when, as in 1904, the English crop is short and promises to fetch a good price.

The Committee also refer to the probability of over-production resulting from the imposition of a duty, and they note that the

combination of hop-growers for mutual protection and advantage seems as unworkable in the future as it has been in the past. Lastly, hops are a raw material of the brewing industry, and their case is not so exceptional that other agricultural products could not also adduce plausible arguments for protection.

This practically sums up the actual conclusions of the Committee on the question of a duty, but incidentally some strong points are made, which might have been developed. Thus, stress might have been laid on the statement that prices have been as low as £1 12s. 8d. in the United States, in spite of the import duty of 56s. ; this might help to answer the claim of the first minority report that a duty in England would steady prices. And further, since it is American competition that is most feared, something more than a statement of the general position in the United States might have been given. The phenomenal shipments (chiefly of old hops), which caused so much excitement during March and April this year, are attributed to the desire of the importers to secure the advantages that would result from a duty, and to "forebodings and anticipations" which the Committee hope their report will "dispel and discourage." They might have given the English grower more assurance by emphasising the undoubted distress of the small American grower, and by pointing to the very speculative nature of the aims of the two or three American syndicates which run the great bulk of the imports. They may, however, have felt that such work is best left to the Board of Agriculture. Their concluding words seem to entrust the future of the industry to that Department.

E. CLEVELAND-STEVENS

Report of the Commission on Taxation. (Boston: State Printers.)

THE taxation of personal property and other questions of general interest are considered, with special reference to American institutions.

Report of the Commissioner of Corporations on Cotton Exchanges. (Washington, 1908.)

PART I. deals with future contracts, in which the seller has an option of delivering different grades with a corresponding

"difference" of price. Parts II. and III. deal with cotton-exchange methods of classifying cotton and with the range of contract grades.

CITY NOTES

WE have received the following "City Notes" from "R. G." :—

Cheap Money.—In our June Notes reference was made to the reduction of the Bank-rate at the end of May to $2\frac{1}{2}$ per cent. as about the last step on the way to a stagnant money market and a long reign of 2 per cent. The anticipation has been confirmed, and the money market has continued sluggish; but as yet there has been no official fall to 2 per cent. The opportunity of cheap money in London has been made use of very largely by the Continental banks to replenish their gold reserves; new issues of every kind have also increased, and preparations for large new Government loans, especially Russian, but including issues nearer home, are spoken of; some little revival in the more speculative issues on the Stock Exchange, employing a portion of the surplus money, has likewise taken place. In these ways the actual decline in the official rate to 2 per cent. has been prevented. The main feature of the money market nevertheless is stagnation. In other words, the "strike of capital," such as always follows a period of inflation and collapse, is once more with us.

Trade Dulness.—The signs of trade dulness have also been accentuated. The falling off in imports and exports in the leading countries is quite proportioned to the vast increase which took place in the three years ending 1907, being largely, of course, a decline in values consequent on a fall in prices which is the result of the dulness. The accounts of unemployment are also what might be expected in such circumstances, the official figure as to unemployment among trades unions having risen to 8 per cent. and upwards. The inference as to unemployment generally being an equal percentage of all workmen is not justified, because the trade union "unemployed" really include large numbers of superannuated and others who ought not properly to be so classed, while there are many occupations, such as railway and domestic service, where the margin of fluctuation in employment is small, so that the trade union figures are *not* a good sample of general employment. Still, apart from figures, the

reports as to want of employment in leading trades, especially shipbuilding and the iron trades, and the building trades, are most serious, and there is no doubt that the condition of things in manufactures and industry is probably more unsatisfactory at the present time than it has been for many years.

Decline of Revenue.—One of the most unpleasant symptoms of this unsatisfactory condition is the decline of revenue which is an unwonted feature in our national finance for almost forty years, and may seriously affect Budget arrangements. None the less, a falling off of revenue in times of bad trade was formerly a most common occurrence. Even Mr. Gladstone was put out in his Budgets in 1860–2 by an unexpected decline of revenue consequent on the general discredit and stoppage of business attending the outbreak of the American Civil War. There ought to be no cause for surprise, therefore, that a decline in the volume of business following a great collapse like that which occurred a year ago is also accompanied by a falling off in the national revenue. The consequent result of great difficulty in making up next year's Budget ought to be foreseen. It is premature to make calculations till it is seen what the falling off really amounts to at the end of the current year, and whether it is likely to continue; but this changed condition of the national finances cannot but have far-reaching effects.

The Death Duties.—One consequence of the general dulness is already visible in the discussions on the death duties and the high income tax. The continued weakness in gilt-edged securities which might usually be expected to improve in a period of cheap money, excites more and more attention, and the usual explanation of new Government loans, actual and impending, is not accepted as completely explaining the phenomena. There has not been a period for many years in which new borrowing for governments has not been going on. There is a disposition accordingly among those who engage in the discussion to ascribe the dulness in the markets for gilt-edged securities to the new causes of the last few years—the high death duties and the high income tax which largely absorb money that would otherwise go into the investment market, or what is much the same thing, actually cause the sale of gilt-edged securities so that the taxes may be paid. In this last connection a remarkable statement by the new Duke of Devonshire as to the difficulty he has himself experienced in paying death duties is much referred to. We are

inclined to think that those who connect high death duties and high income tax with the depression in gilt-edged securities and with depression generally are not without warrant, and the view is in accordance with what has often been urged in these Notes. High death duties and high income tax in time of peace are not good finance, and there can be no real recovery in Consols or other gilt-edged securities until a return is made to sound methods of finance, which require first of all light and moderate *direct* taxes, as well as indirect. Whether the lesson will be learnt by the time next Budget is produced remains to be seen, but until it is learnt the national finances must go from bad to worse.

Expenditure on Armaments.—It is urged by some that the real cause of our bad finance is the expenditure on armaments, and this may be the case to some extent. The nations of Europe, the United Kingdom included, might obviously have better finance, for a time at least, if they spent less on army and navy. Unfortunately expenditure on armaments is not always a matter of choice for an individual nation any more than expenditure on dykes to keep out the sea is a matter of choice for the population of Holland, and may really be cheaper in the end than the disasters of actual war, just as the maintenance of dykes in Holland is cheaper than the disaster of an inundation. The allegation as to armaments thus carries one a very little way in the discussion, except to emphasise the fact that, if such expenditure on a large scale is felt to be necessary, the nation, both individually and collectively, should look to its ways and means and to other branches of expenditure as well as army and navy, and not esteem itself richer than it really is.

The American Monetary Commission.—An event of some interest has been the arrival in this country at the beginning of August of a Government Commission from the United States to study the methods and practice of European countries as to banking and currency, and take evidence of European experts, with a view to banking and currency legislation in their own country later on. The Commission is headed by Senator Aldrich, one of the best known authorities in the States on banking and currency, and who had a bill of his own on the subject in the last session of Congress. The Commission must have valuable results, not only for the United States, but for European countries as well. The investigation of the whole subject by a foreign

Commission, considering it from a different point of view (the history and economic condition of the United States being unlike those of any European country), will be extremely useful all round, not the less so that the United States history itself has been peculiarly chequered, and that bankers, merchants, and the Government there have had special difficulties to contend with. If we might make a suggestion to the United States authorities it would be that the whole study should be made with the utmost freedom and with the readiness to depart from old formulas, whether of American or European origin, characteristic of the United States people in other business arrangements. Why should not banking, for instance, be entirely free, so that any person or company may start a bank if they please, with as many branches as they please, just as they could start any other business? And why should not any bank have liberty to issue notes, subject only to the obligation of paying on demand notes that are expressed to be so payable, without all the elaborate arrangements for depositing bonds to secure the circulation and so on, which only obscure the subject? If there were complete freedom strong banks would live and grow, and weak banks die out, and the question of sufficient currency, varying with trade requirements, would settle itself. Possibly at first a *régime* of complete freedom would foster speculation, though we think not; but the evil in any case would cure itself. On the whole, in spite of all the difficulties caused by too much legislation and interference, banking in the United States since the Civil War has become steadier from period to period, just as it has done in most European countries; and the present writer has no doubt that the improvement will continue with or without changes in the Government arrangements. Credit keeps getting better from period to period, and that is the main thing; but it is as well to give bankers and merchants as much liberty as possible to make their own arrangements.

R. G.

CURRENT TOPICS.

At the annual bankers' dinner at the Mansion House on July 3rd, the Governor of the Bank of England made a number of interesting references to the 7 per cent. bank rate in November. The rate attracted gold to the Bank from seventeen different centres. It "came from comparatively poor countries like the

Scandinavian group, and even the small island of Malta contributed to the fund." He claimed that much of the success with which the crisis was met was due to the fact that the banking system was not fettered by legislative enactments. He referred particularly to the action of the Governor of the Bank of France, who did much to relieve the strain by sending to the London market three million sterling for investment in English bills. The speech is reported in *The Times* of July 4th.

THE subject of the direct representation of co-operators in Parliament was discussed at the Co-operative Congress which met at Newport, Monmouth, during June. The advocates of the proposal contended that it was "undignified and humiliating that they should have to ask for assistance from Parliament when they had the power to secure it." The proposal was strongly opposed on the grounds that no questions arose in the House of Commons which were confined to co-operators. The motion was defeated by a large majority.

THE Council of the Charity Organisation Society have issued a statement condemning the non-contributory basis of the measure for Old Age Pensions. They consider that pension societies will reconsider their position, and that there will be a general relaxation of the efforts of relations and friends. Proceeding to wider issues, they argue that if personal responsibility for provision against old age can be safely abolished, there is no logical reason for confining the principle to this particular case. They therefore foresee "an irresistible agitation to multiply the occasions on which public money must be expended," and conclude that the measure is the beginning of a change which "all who regard character and thrift as necessary contributory elements in the comfort and happiness of the mass of the people should strenuously resist." The statement is to be found in *The Times* of June 2nd.

PROFESSOR PIGOU also contributed to the discussion of the Old Age Pensions Bill in a letter to *The Times* of June 24th. He pointed out that any sliding scale must discourage the efforts to increase the income between the limits within which the scale operated. He suggested, therefore, for consideration the possibility of excluding not those with incomes above a certain sum, but those outside certain definite classes. All, for example, who

were not embraced in the manual labouring class or in certain defined categories of clerks might be excluded.

THE British Constitution Association have sent two statements of their views on Poor Law reform to the Royal Commission on the subject. They consider that the Poor Law work of the Local Government Board should be transferred to a new department dealing exclusively with the relief of distress. They also suggest that Boards of Guardians might be strengthened by giving to the County Councils and other statutory authorities within the poor law area the right to appoint representatives.

The Times of July 31st contains a long letter from Professor W. J. Ashley on the proposal to establish wages boards in sweated trades. He accepts the argument that these trades are "parasitic," but "is obliged to confess to the gravest doubts as to the feasibility of the measure." The chief reasons which lead him to this conclusion are as follows:—(1) The argument from the success of the present factory laws is weak, as the conditions in factories are far more open to inspection than those of widely scattered homes workers. (2) The success of voluntary wages boards in organised trades is not a criterion of their effect in unorganised trades. (3) Experience shows that the decision will rest with the chairman. On what principle is he to determine his minimum? In the organised trades there are certain general understandings which have guided him, but there are none in the sweated industries. (4) The experiment in Victoria is not very conclusive. The Victorian Act of 1896 was passed during a period of severe depression, and was evaded while this depression lasted. The determinations were indeed enforced in 1906, but this was a year of extraordinary prosperity. Moreover, the total number of outworkers in Victoria is 1,600, while in the clothing trades alone in England and Wales 200,000 women and girls are employed as homeworkers. (5) The difficulty of enforcing the Act will show itself during periods of depression. For this reason the present is a peculiarly unfortunate time in which to initiate the experiment. Finally Professor Ashley recommends the system of registration, and urges that the first steps could be taken by the Government enforcing the payment of a minimum wage in its contracts.

THE report for the year 1907-8 of the British Section of the International Association for Labour Legislation shows progress.

The Bulletin of the International Labour Office has appeared in an English edition, containing the text of recent labour laws in all countries, notes on action taken in the interest of labour in the different Legislatures, and other valuable information. There has also been published a report on the administration of labour laws in the United Kingdom. The report takes the form of answers to a prescribed set of questions relating to the inspectorial staff, the co-operation of the workers in the administration of the law, and other particulars. This instructive document is drawn up by Miss Sophy Sanger, the hon. secretary of the British Association for Labour Legislation.

THE *Economic Bulletin*, published quarterly by the American Economic Association, contains a department of "Personal and Miscellaneous Notes" announcing recent appointments to academic positions, and other events of interest to economists. Another noticeable feature of the *Bulletin* consists of the reviews, which are at once brief and authoritative, cover the field of recent literature evenly, and appear soon after the publication of the works reviewed.

WE cannot attempt to rival our contemporary in the registration of the changes in the tenure of economic offices throughout a continent. But we cannot pass over in silence the death of Professor Schönberg, the editor of the stupendous *Handbuch* which is known by his name. He has been succeeded in the Tübingen chair by Professor Harms, translated from the University of Jena.

ANOTHER eminent economist is lost to Tübingen by the resignation of Professor J. Neumann. His name also is familiar to students of the *Handbuch*. His article on the formation of price is distinguished—like De Quincey's economic writings—by the instructive and *recherché* character of his examples. His advocacy, in a separate work, of progress and taxation is said to have largely influenced opinion in Germany. He is succeeded by Professor Carl Fuchs, the author of a work on the trade policy of Great Britain (1893), which was reviewed in the *ECONOMIC JOURNAL*. It has recently been republished in an English version, with a laudatory introduction by Mr. Parker Smith. An almost prophetic power of insight may indeed justly be attributed to the writer, who discerned in the early 'nineties a tendency in English opinion towards protective arrangements with the Colonies.

MR. C. S. LOCH has resigned the Tooke Professorship of Economic Science and Statistics at King's College, London. He is succeeded by Mr. E. J. Urwick, the Lecturer to the School of Sociology. Mr. Urwick is the author of a recently published book on "Luxury and the Waste of Life."

MR. H. J. MACKINDER has resigned his position as Director of the London School of Economics and Political Science. He is retaining the Readership in Geography in London University. His successor at the London School of Economics is Mr. W. Pember Reeves, the High Commissioner for New Zealand. As Minister of Labour in New Zealand he was responsible for the well-known Compulsory Conciliation and Arbitration Act. He has described the legislative experiments of Australia and New Zealand in two works—"The Long White Cloud," and "State Experiments in Australia and New Zealand." He is also the author of an "Introduction to the History of Communism and Socialism."

DR. JAMES BONAR, deputy Master of the Canadian Mint, will be among the non-resident lecturers in political economy at the Johns Hopkins University during the academic year 1908-9.

RECENT PERIODICALS AND NEW BOOKS.

The Economic Review.

JULY, 1908. *German Colonies.* B. VON KOENIG. The exports and imports (in all some 250 millions marks), the cost to the mother country (against which there is a set-off of 60 per cent.), and other aspects of the German colonies, are considered. *Underpayment and Sweating in a Provincial Town.* REV. A. J. CARLYLE. This is a report prepared by a Committee of the Oxford City branch of the Christian Social Union. The general wages in Oxford are lower than in most large towns. Low wages of men lead to the employment in large numbers of married women and schoolchildren. The average earnings of women are probably from 9s. to 11s. *The Marginal Utility Theory.* W. W. CARLILE. "Is the position taken up by Professor Marshall sustainable? . . . The utility of the thing bought is never just equal to the utility of the money given for it, but is always greater. If it were not greater why should the thing be bought?"

Journal of the Royal Statistical Society.

The Peradventures of an Indian Life Table. SIR T. ATHELSTANE BAINES. The effects of good and bad cycles of harvest are traced in the age-distribution of the Indian population. The proportion of children under five is particularly large. *Food Taxation in the United Kingdom, France, &c.* S. ROSENBAUM. Taxes on food yield less in the United Kingdom, taxes on drink more than in the three compared countries. Taxation of food has here increased largely since 1895, while there nearly stationary. *On the Probable Errors of Frequency-Constants. I.* PROF. F. Y. EDGEWORTH. *Development of the North-West Provinces of Canada.* E. H. GODFREY.

The Fortnightly Review.

AUGUST, 1908. *Sweated Industries.* G. R. ASKWITH. Undeterred by the old scare that it is dangerous to drive a knife into delicate machinery, the writer sees no reason why the analogy of existing Wages Boards—arrangements of which he himself had experience—should not be applied where neither employers nor employed are organised.

The Edinburgh Review.

JULY, 1908. *Lord Milner and Canadian Preference.* Lord Milner's statistics are severely handled.

The Quarterly Review.

JULY, 1908. *Canadian Problems and Parties.* Referring chiefly to the question of immigration. *Old Age Pensions.*

Quarterly Journal of Economics (Boston).

MAY, 1908. *Capital Interest and Diminishing Returns.* F. W. TAUSSIG. "Are these advances to labourers? Do capital goods reproduce themselves? The law of diminishing returns as applied to capital by Carver, Clark, and Böhm-Bawerk"—such are the topics discussed. *Administrative Supervision of Railways.* H. C. ADAMS. A discussion of the twentieth section of the Act to regulate commerce (passed in 1887, amended in 1906). *The Relation of Monopoly Price to the Rate of Interest.* A. S. JOHNSON. *Australian Economic Problems. I. The Railways.* V. S. CLARK. A not unfavourable picture. *The Price Policy of the United States Steel Corporation.* E. S. MEADE. The policy of keeping the price of steel constant, however general prices may fall, is defensible.

Political Science Quarterly (New York).

JUNE, 1908. *Marxism versus Socialism. I.* V. G. SIMKHOVITCH. *Protection and Capital.* A. S. JOHNSON. It is argued that protection stimulates the formation of capital. "Had all modern States maintained absolute free trade the vast capitals of modern industry would have been unknown."

Annals of American Academy (Philadelphia).

MAY, 1908. This number deals with the Control of Municipal Public Service Corporations. The control of companies owning municipal monopolies is compared with municipal trade. The Commissions recently established by the State of New York for the regulation of "Public Service Corporations" are described by several writers. Some business men complain of legislative restrictions; but the general impression given is favourable.

JULY, 1908. This number deals with the discussion of *Federal Regulation of Industry.* Part III. "On the Government and the Railways," contains a paper on *Governmental Regulation of Railroads*, by PROF. EMORY JOHNSON, who gives a concise and lucid statement of the latest developments of government regulations, State and national, in America. "The time has come," he thinks, "when we must accept not only the soundness, but the desirability of the practice of investing in some public body the power to say to the carrier that his charge, from the public point of view, is or is not a reasonable one."

A supplement to the July number deals with Child Labour and Social Progress.

Journal des Économistes (Paris).

MAY, 1908. *Le rachat de l'Ouest.* G. DE NOUVION. *La concentration industrielle. Les trusts et les cartels.* A. HUART.

JUNE. *Le contrat de travail.* É. ROCHETIN. *Une nouvelle théorie de la répartition de la richesse.* M. BELLOM. *Augmentation de la monnaie divisionnaire en Allemagne.* A. RAFFALOVICH.

JULY, 1908. *Le vol et l'échange*. G. DE MOLINARI. *Mouvement financier et commercial*. M. LABLET. *Revue des principales publications économiques de l'étranger*. E. CASTELOT. This survey includes several Spanish economic periodicals, throwing light on the question whether Spain has lost by being parted from her Colonies, how much Cuba has gained by parting from Spain.

Revue d'Economie Politique (Paris).

JUNE, 1908. *L'Assurance ouvrière en Autriche et les projets de réforme*. M. BELLOM. *La circulation, le crédit et leurs instruments en Egypte*. P. ARMINJON et B. MICHEL.

JULY, 1908. *Les relations commerciales Franco-Allemandes*. B. RAYNAUD. *Du Système monétaire du Grand-Duché de Luxembourg*. G. PAILLARD. A history of the "volte-faces" of the monetary unit—the franc, the florin, the franc again, next the German thaler, and finally the mark conjointly with the franc. *La circulation, le crédit, et leurs instruments, en Égypte*. P. ARMINJON et B. MICHEL. *Une expérience sociologique . . . l'industrie de la boucherie à Paris*. H. BOURGIN.

La Réforme Sociale (Paris).

JULY, 1908. The organ of the Le Play Society of Social Economy records a remarkable discussion on Population. M. de Foville said that France, "where everything is fertile but the inhabitants," is now but 12 per cent. of an European aggregate, of which she formed 25 per cent. before the Revolution. Deaths have begun to gain upon births. The recent Commission was abortive. Its discoveries, e.g., the connection between "dechristianisation" and depopulation—were not welcome to the powers that be.

Revue Économique Internationale (Brussels).

JULY, 1908. *Les finances de la Russie*. R. G. LEVY. *Travail et salaires des femmes en Angleterre*. G. SHANN. The wages of women are described as very small (*minimes*), absolutely, and comparatively to the wages of men. *La monnaie peut-elle être supprimée?* M. ANSIAU. Referring to M. Solvay's doctrine of "comptabilism," the writer concludes that payments without money are not more difficult to realise than vehicles without horses or wireless telegraphy. *La France à Madagascar*. H. LOUN.

L'Économiste Français (Paris).

JUNE 20TH, 1908. *La dépopulation de la France*. PIERRE LEROY BEAULIEU. The official statistics of the movement of population are for 1907 "more desolating than ever." The birth-rate per 1,000 living has reached the "ridiculously small" rate [*taux derisoire*], 19.7, for 1904-6, 20.7; against 25.3 in 1877-79. True, the birth-rate of the principal other European nations has fallen in the same period—in the case of England by a greater percentage (of the birth-rate in 1877-79)—but they had further to fall before the birth-rate should cease to exceed the death-rate, as is now the case in France. Among the causes M. Paul Leroy

Beaulieu puts "the taking from the people by the education which is given to them the hope of a future life and the ancient beliefs—the foundations of their traditional morality." Among the remedies is approved M. Paul Leroy Beaulieu's proposal to reserve employments under the State to fathers of three children.

JUNE 27TH. *La dépopulation de la France* (continued). The decline in the birth-rate is aggravated by the stationariness of the death-rate in France. The mortality in 1905-1906 compared with that of 1876-80 shows a fall in France of less than a seventh, of a quarter in England, Germany, and some other countries, of more than a quarter in Holland and Hungary.

Les retraites ouvrières. PAUL LEROY BEAULIEU. The State in France contributes by the existing "loi d'assistance" near 100 million francs more than the State in Germany (45½ million marks in 1904), not much less than the proposed contribution in England (account being taken of difference in cost of living). The proposed French law is indefensible.

AUGUST 1ST. M. Paul Leroy Beaulieu describes the failure of Brazil to check the over-production of coffee by Governmental interposition, and points the moral.

Jahrbuecher für Nationalökonomie (Jena).

MAY, 1908. *Zur Terminologie der "Lohntarifgemeinschaft."* A. KLEEBERG. *Zur gegenwärtigen Lage der Amerikanischen Eisenindustrie.* GLIER. JUNE. *Zur Reform der Binnenschiffahrt-statistik im Deutschen Reich.* H. SCHUMACHER. JULY. *Die wirtschaftliche Organisation der Geistigen Arbeiter.* VICTOR LEO. *Die heutigen kommunistischen Gemeinden in Nordamerika.* R. LIEFMANN.

Giornale degli Economisti (Rome).

MAY, 1908. *Il mercantilismo e l'economia politica.* E. COSSA. *Sugli effetti della conversione della rendita.* B. GRIZIOTTI. JUNE. *L'interpolazione per la ricerca delle leggi economiche.* V. PARETO. A study in the treatment of statistics relating to frequency by methods of interpolation, especially Cauchy's. *Un antico innovatore italiano dei metodi di cultura agraria.* G. ANAS. Referring to Camillo Tarello, author of a little book published in Venice, 1567, *Il metodo ordinario di calcolo del costo di produzione dell' uomo.* G. SENSINI. JULY. *Leggi agrarie restrittive nel settecento italiano.* G. ANAS. *Il problema dei trasporti e il porto di Genova.* N. TREMON. *I comuni e le abitudini popolari in Germania.* R. BADOGGIO.

NEW BOOKS.

ALTON (H.) and HOLLAND (H. H.). *The King's Customs. An Account of Maritime, Revenue, and Contraband Traffic in England, Scotland, and Ireland; from the Earliest Times to the year 1800.* Murray. Pp. 489. 10s. 6d. net.

BRABROOK (SIR EDWARD, C.B.). Thrift Manual. For the use of teachers in primary schools. London: King. 1908.

[A series of articles by several writers, reprinted from the Charity Organisation Society, with a preface by Sir Edward Brabrook.]

BROADHEAD (H.). State Regulation of Labour and Labour Disputes in New Zealand. A Description and Criticism. London: Whitcombe and Tombs. Pp. 230. 7s. 6d. net.

Charity Organisation Society: Report of the Society's Special Committee on Unskilled Labour. London: Denison House. Pp. 249.

[Reviewed above.]

CLAYTON (JOSEPH). Robert Owen, Pioneer of Social Reforms. London: Fifield. 1908. Pp. 68. 1s.

CLEWS (H., LL.D.). Fifty Years in Wall Street. New York: Irving Publishing Co. Pp. 1,062.

DAVIES (A. EMIL). The Nationalisation of Railways. London: Black. 1908. Pp. 125.

[Reviewed above.]

DEWE (REV. J. A.). History of Economics or Economics as a Factor in the Making of History. New York: Benziger Bros.

EDER (DR.). The Endowment of Motherhood. The New Age Press. 1s. net.

EPSTEIN (M., Ph.D.). The Early History of the Levant Company. London: Routledge. Pp. 270.

FAY (C. R.). Co-operation at Home and Abroad. A Description and Analysis. London: P. S. King. 1908. Pp. 403. 10s. 6d. net.

FORDHAM (MONTAGU). Mother Earth: A Proposal for the Permanent Reconstruction of our Country Life, and a Description of the Land Club Scheme. Open Road Publishing Co. Pp. 157. 1s. net.

FOBSYTH (P. T.). Socialism, the Church, and the Poor. London: Hodder. 1908. Pp. 82. 1s.

GIBSON (A. H.). The Fall in Consols and Other Investments since 1907. An Investigation into the Causes which brought about the Rise in Investment Capital Values from 1875-97 and the Fall Since. London: Simpkin. 1908. Pp. 100. 5s.

GREEN (F. E.). The Small Holding. London: Lane. Pp. 122. 3s. net.

GROSS (C., Ph.D.). Select Cases Concerning the Law Merchant. A.D. 1270-1638. Vol. I. Local Courts. Selden Society's Publications. Vol. XXIII. Pp. 159. Quaritch.

International Labour Office, Bulletin of. London: Labour Representation Printing and Publishing Co. 1908. Pp. 702.

[Referred to above.]

JOHNSON (MAJOR A. G.). Leisure for Workmen and National Wealth. London: P. S. King. Pp. 242. 3s. 6d. net.

JUDGE (MARK H.). *Political Socialism. A Collection of Papers by Members of the British Constitution Association. With Presidential Addresses by Lord Balfour of Burleigh and Lord Hugh Cecil. Edited by M. H. Judge. (Constitution issues.)* London: P. S. King. 1908. Pp. 187.

LATOUCHE (PETER). *Anarchy! An Authentic Exposition of the Methods of Anarchists and the Aims of Anarchism.* London: Everett. 1908. Pp. 248. 6s.

LAW (A. BONAR, M.P.). *The Fiscal Question. Five Recent Speeches. Revised by the Author.* London: The National Review Office. Pp. 134. 1s. net.

[Reviewed above.]

London Municipal Society. *The Case against Socialism: A Handbook for Speakers and Candidates.* New York: Macmillan. London: G. Allen & Sons. 1908. Pp. 537.

[With a prefatory letter by Hon. A. J. Balfour.]

MAYNE (JOHN D.). *The Triumph of Socialism.* London: Sonnenschein. 1908. Pp. 148. 1s.

PRICE (L. L.). *The Position and Prospects of the Study of Economic History.* Oxford: Clarendon Press. 1s.

SCHOOLING (JOHN HOLT). *The British Trade Book. Concerning the years 1880-1907. With a Preface by PROF. W. J. ASHLEY. (Third issue.)* London: Murray. Pp. 491. 10s. 6d. net.

STANTON (ROSSINGTON). *An Essay on the Distribution of Livelihood.* New York and London: Farewell. 1908. Pp. 125.

[Reviewed above.]

SUTHERS (R. B.). *Common Objections to Socialism Answered.* London: Clarion Press. Pp. 132. 1s. net.

VINOGRADOFF (P.). *English Society in the Eleventh Century.* Oxford: Clarendon Press. 1908. 16s.

[The first part of this masterly survey deals with military organisation, jurisdiction, and taxation; the second with land tenure, rural organisation, and social classes.]

WATSON (N. L.). *The Argentine as a Market. A Report to the Electors to the Gartside Scholarship on the Results of a Tour in the Argentine in 1906-7. (Manchester University: Gartside Reports on Industry and Commerce, No. 6.)* Manchester University Press. Pp. 63. 1s. net.

BLISS (W. D. P., editor). *The New Encyclopædia of Social Reform.* New York: Funk & Wagnalls. 1908. Pp. 1,321. \$7.50.

[Revised or rather rewritten.]

HANKINS (DR. F. H.). *Adolphe Queletet as Statistician. (Columbia University Studies.)* New York: Columbia University. 1908. Pp. 133.

CHADDOCK (R. E.). *Ohio before 1850. (Columbia University Studies.)* New York: Columbia University. Pp. 155.

HARRISON (FREDERIC). National and Social Problems. New York: Macmillan. 1908. Pp. 450. \$1.75.

[Part III. deals with "social problems," chiefly the labour problem and socialism.]

KELLER (A. G.). Colonisation: A Study of the Founding of New Societies. Boston: Ginn & Co. 1908. Pp. 629.

[Designed as a text-book for the study of colonisation.]

LEE (G. S.). Inspired Millionaires. Northampton (Mass.): Mount Tom Press. 1908. Pp. 308.

LEWIS (A. M.). Evolution, Social and Organic. Chicago: Charles H. Kerr & Co. 1908. Pp. 186. 50 cents.

[Standard Socialist Series.]

MACLEAR (ANNE BUSH). Early New England Towns. Pp. 181.

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[These statistical materials of a future continuation of the author's "History of the Greenbacks," form a valuable contribution to the study of index-numbers. The extensive use of "medians" and "deciles" is an interesting feature.]

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